

CURRENT HISTORY

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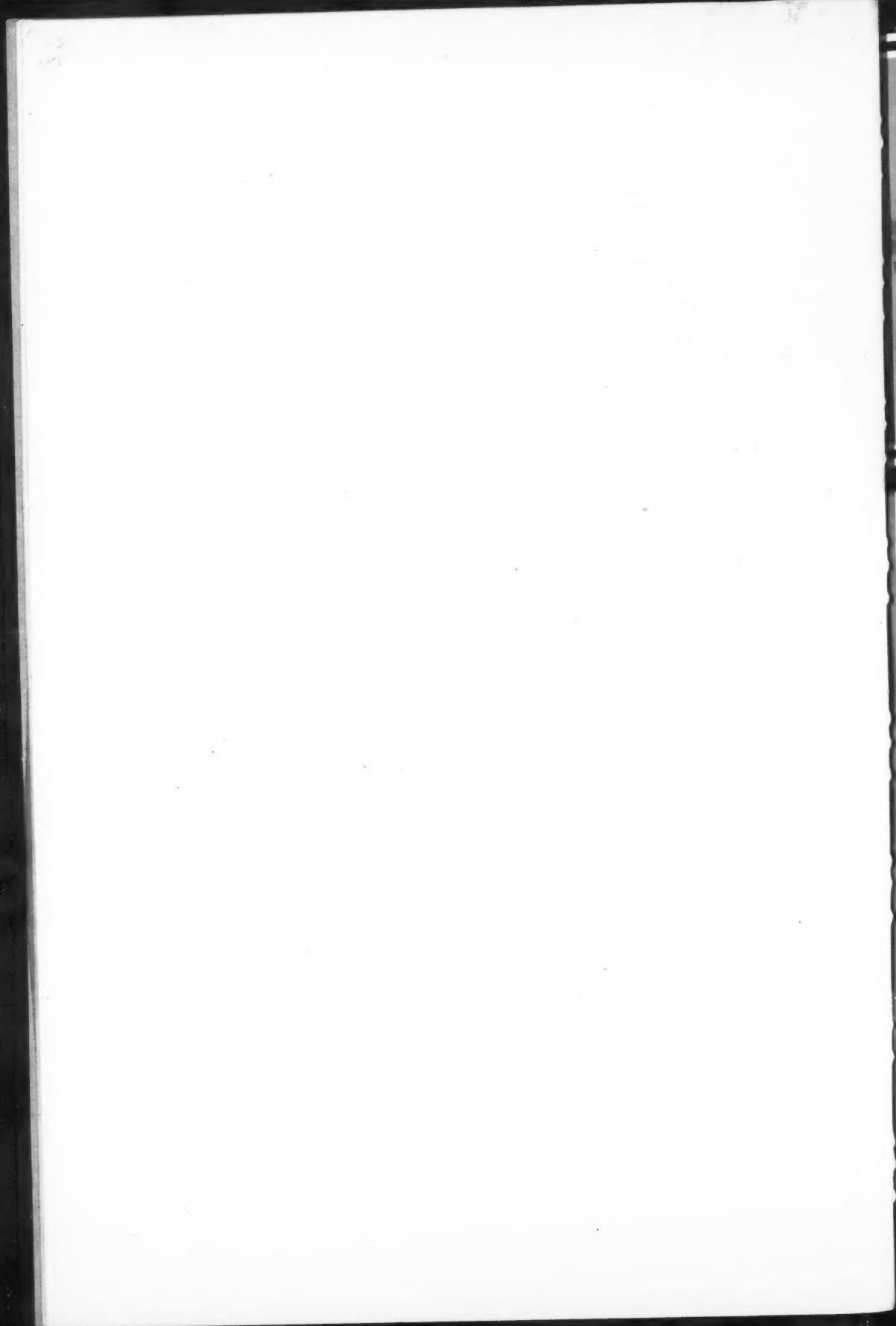
April, 1935—September, 1935

With Index



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Current HISTORY



April, 1935

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By André Siegfried

WHAT IS PUBLIC BUSINESS?

By Stuart Chase

GERMANY'S SHATTERED ECONOMYWillson Woodside
LLOYD GEORGE RESURGENT P. W. Wilson
DECLINE IN THE COTTON KINGDOM

I The Planters' ProspectsWayne Gard
II Victims of Change Norman Thomas
SLAVE MARKETS OF TODAY Ignatius Phayre
MONTE CARLO TWILIGHT Ferdinand Tuohy
THE WORLD IN BOOKS John Chamberlain

A MONTH'S WORLD HISTORY

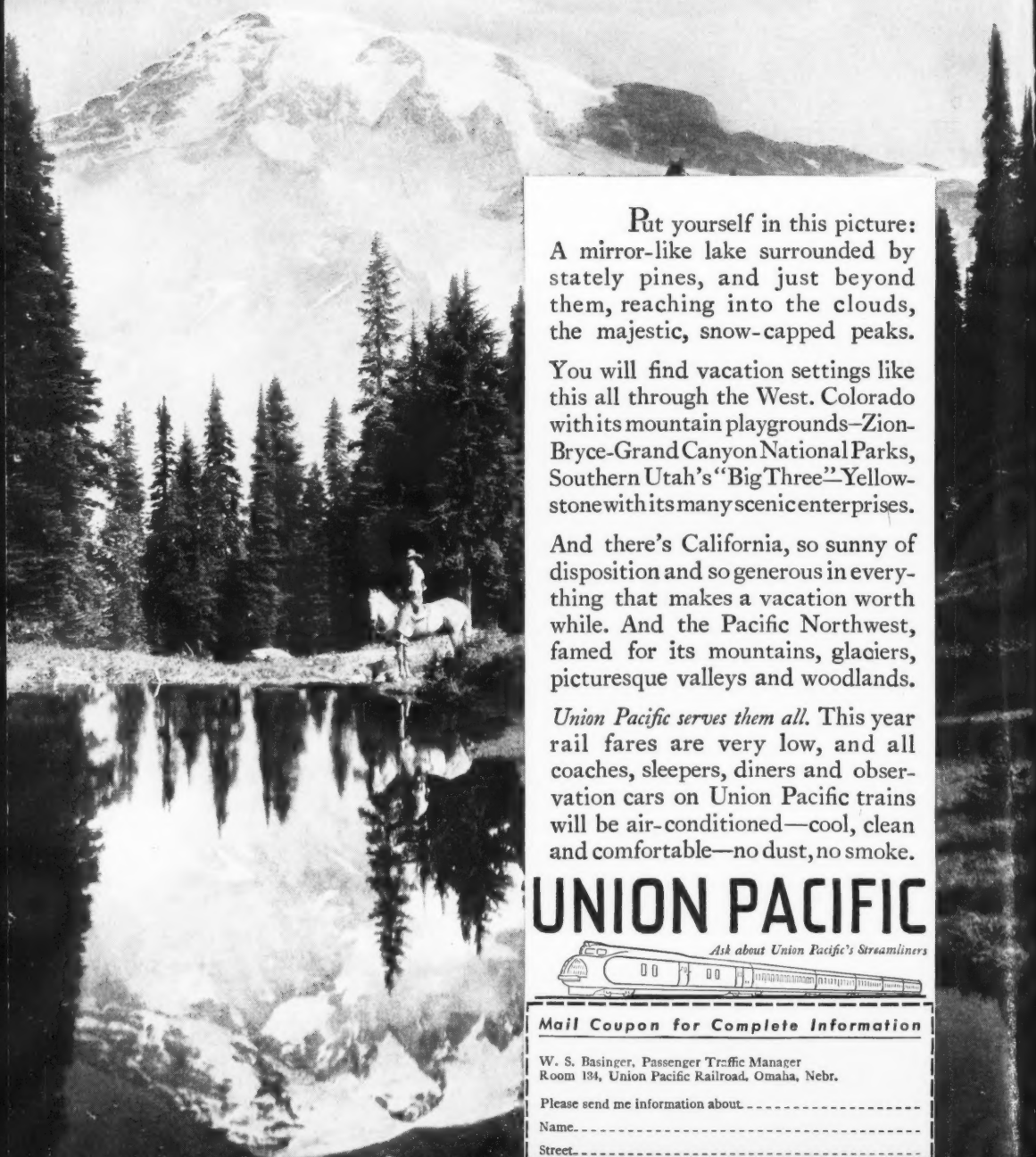
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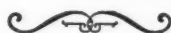
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THE WORLD IN BOOKS . . .

By John Chamberlain

SOME fifteen years have passed since Van Wyck Brooks uttered his famous complaint, that the abortive career was the rule among American novelists. His essay, "The Literary Life in America," rang the changes on the "frustration" motif. Stephen Crane, Mark Twain, Frank Norris, Jack London—all these burgeoned with their single great books, such as *The Red Badge of Courage*, *Huckleberry Finn*, *MacTeague*, *The Call of the Wild*. The rest was a matter of diminishing returns. Coming down to our own day, the same has seemed true of men like Joseph Hergesheimer. No one, Brooks complained, was succeeding in fashioning for himself a great career as a man of letters, European style.

Since the early Nineteen Twenties Brooks's complaint has been measurably less true. Sinclair Lewis, Elizabeth Roberts, Willa Cather, Scott Fitzgerald and others have all done a series of good books. But the abortive career still remains with us. Glenway Wescott has yet to fulfill his early promise; Katherine Anne Porter, a fine stylist, seemingly never will go on to do something substantial. Perhaps the school of writing which dominated the Nineteen Twenties, a school which made a fetish of perfection and had a horror of repetition, is to blame for the many "one-book authors" with which we have been afflicted.

When Thomas Wolfe published his first novel, *Look Homeward, Angel*, in 1929, the skeptics (who had been stung before) remarked: "Pretty good for a beginning, but the second novel will be the decisive test. After all, this is pretty autobiographical." And, as Wolfe remained silent for some six years, it looked as if the skeptics were right. It looked as if Wolfe, with the creed of the Nineteen Twenties at his heart, had succumbed to the futility that is inherent in the fear of being represented in the publishers' lists with anything that is less than super-Flaubert or superior Rimbaud.

* * *

But, with the publication of *Of Time and the River* (Scribners, \$3), a huge, multiplex, rich, sprawling, sometimes chaotic, novel, it becomes apparent that Mr. Wolfe has escaped the blight of the Nineteen Twenties. *Of Time and the River* is 450,000 words in length and runs to 912 pages. It is, merely, the second volume in a series that will eventually run to six. Mr. Wolfe's publishers say that he has two more in

the series already written. The problem, evidently, is not to get Mr. Wolfe to write but to get him to stop writing.

As a writer, Thomas Wolfe is everything that Hemingway is not. He may supply the motive power to change our literature. His method is not to prune away his adjectives to give his prose a telegraphic terseness, but rather to let everything expand. And he is tremendously preoccupied with being American, with the result that Tris Speaker and Christy Mathewson figuratively rub elbows in *Of Time and the River* with the esthetes of Professor George Pierce Baker's Harvard 47 Workshop.

The weakness of *Of Time and the River* lies in the character of the autobiographical Eugene Gant, who manages to riot through an adolescence and a young manhood without developing any selective power, any power of making distinctions, any power, in short, of thinking about America and its destiny. Eugene simply feels. The result is the richest emotional novel that we have seen in a long time. Characters come immediately alive in it. But if Eugene himself is to make anything out of the America he is so busy experiencing, we have yet to learn of it. However, there are still four more volumes to come in the series that commenced so auspiciously with *Look Homeward, Angel*.

* * *

After plunging into *Of Time and the River*, the run-of-the-mine fiction of the month seems pallid by comparison. Tom Kromer's story of a bindle stiff's sufferings during the depression, *Waiting for Nothing* (Knopf, \$2), is an interesting document, and intense enough when taken by itself. But when one thinks of how Wolfe would have turned even the experiences of semi-starvation into vivid life, one's perspective is altered. And when one thinks of what Wolfe could have done with the character of William Hicks in Thomas Boyd's story of the Nineteen Twenties, *In Time of Peace* (Minton, Balch, \$2.50), Boyd shrinks to the size of a sincere, well-meaning writer who cannot quite convey the pulse of experience in prose. Boyd's novel is much more intelligent than Wolfe's, but intelligence is not enough to make for great creations.

Henry Roth's *Call It Sleep* (Ballou, \$2.50), a story of a young Jewish immigrant child's experiences at Ellis Island and in the tenements and streets of Brownsville and the East Side, is better fiction. Sensitive, agonized, *Call It*

Sleep dramatizes the problem of the immigrant boy in vivid fashion.

Jessica Nelson North's *Arden Acres* (Harcourt, Brace, \$2), may be linked with the work of Tom Kromer, of Thomas Boyd, of Henry Roth, in that it deals with poverty. But Miss North, like Victoria Lincoln, whose *February Hill* (Farrar & Rinehart, \$2.50), was the most amusing novel of 1934, is more concerned with extracting humor and romance from the ashes of the depression than she is with presenting a rounded and realistic picture.

* * *

Other American novels of the month are noteworthy for various reasons. Eleanor Carroll Chilton's *Follow the Furies* (Bobbs-Merrill, \$2.50), while it has some of the paraphernalia of the old-fashioned "problem novel" in which contemporary issues are debated by the various characters, succeeds primarily as expert psychological realism. Miss Chilton may have intended to score in her novel against the "new" education, but she is too good an artist to succeed in loading her dice. Her heroine, Barbara Linton, is ruined by her education, true, but Miss Chilton has overlooked the fact that the same type of education had no effect whatsoever on Andrew Linton, the brother. In other words, Miss Chilton, as novelist, proves that life is unpredictable and various at the very time she thinks she is proving a case against an institution. *Follow the Furies*, it may be added, is beautifully written.

* * *

Arnold Gingrich's *Cast Down the Laurel* (Knopf, \$2.50) is an interesting experiment in fiction. Mr. Gingrich rigs his machinery to satirize the average slick magazine fiction writer. He first creates an advertising man who supplies a group of dossiers on various characters to a practicing novelist, then writes the novel the novelist would have written from these dossiers, and then supplies the advertising man's scathing criticism of the result. It could not have been foreseen, of course, but Mr. Gingrich's book is an absolutely convincing exposure of what makes Edna Ferber's *Come and Get It* (Doubleday, Doran, \$2.50) so shallow and synthetic a product. *Come and Get It* is, ostensibly, a chronicle of the rise of a Wisconsin lumber fortune; in reality it dodges all the problems connected with the rise of any such fortune. It is a relief to turn from Miss Ferber's gaudy but hollow zestfulness to John O'Hara's repressed, sharp and bitter sketches in *The Doctor's Son and Other Stories* (Harcourt, Brace, \$2.50). Mr. O'Hara, being afraid of emotion, may not give us the whole truth about life, but it is better to be afraid of emotion than to trump it up.

In *The Pinnacle of Glory* (Macmillan, \$2.50),

Wilson Wright has succeeded in writing a credible, moving fictional account of Napoleon's days in exile on St. Helena. Mr. Wright sticks so closely to the record, however, that one wonders why he did not do his book as straight biography.

André Malraux, author of the remarkable *Man's Fate*, is somewhat badly served by the resurrection of an early novel, *The Royal Way* (Smith & Haas, \$2.50). This story of adventure and death in the Siamese and French Indo-Chinese jungles is chiefly interesting for the light it casts on Malraux's subsequent career as the novelist of the Chinese 1927 revolution. With its preoccupation with the metaphysics of death and decay, *The Royal Way* belongs to the world-mood in literature that has produced Aldous Huxley in England and Hemingway and Faulkner in the United States.

Working against the Huxley-Hemingway current in England is R. C. Hutchinson, author of *One Light Burning* (Farrar & Rinehart, \$2.50). *One Light Burning* is an idealistic story of a dedicated life—in this case, the life of a master of esoteric cultures who is bent upon contributing solid books to the world's sum of knowledge. Mr. Hutchinson can write gloriously, but he is inclined to be overintoxicated with mysticism. His plot swings, unconvincingly, on chance encounters and the instant recognition of affinities.

* * *

The battle of the books on the question of the way out of the present predicament of capitalist society continues in as lively a fashion as ever. John Strachey is represented this month with his cogent, lucid *The Nature of Capitalist Crisis* (Covici-Friede, \$3), and Norton has published Everett Dean Martin's *Farewell to Revolution* (\$3).

But the whole matter of the decline of capitalism and the efficacy of revolution is not exhausted by either Mr. Strachey or Mr. Martin, by any means. Mr. Strachey, in trying to rescue Marx's labor theory of value in all its pristine innocence from the hands of the Marxian revisionists, bogs himself in hypothetical certainties that may have no strict relation to the actualities of history. Mr. Strachey is convincing to me when he foretells the ultimate doom of the private profit system, but he cannot pick the date. Nor can he succeed in demonstrating that his party, the Communist party, has the only viable program for social change or for revolution. For Mr. Martin's benefit, I may say that "revolution" does not necessarily imply tragic force, but merely "a change of structure and aims."

Mr. Strachey claims the labor theory of value is an "objective" theory that explains production and the "law of motion" of the capitalist system. But no theory of value can be "objective," inasmuch as "value" itself is a

qualitative (i. e., a subjective) notion. And the all-important Marxian phrase, "socially necessary labor time," is, likewise, subjective, inasmuch as what is one man's "socially necessary" work is another man's poison. Even from his own point of view, it seems to me that Mr. Strachey is making a blunder to rest the case for Marxism on a theory that cannot mean the same thing to any two living men.

* * *

Mr. Martin's *Farewell to Revolution* takes a wholly capricious view of history. Mr. Martin's method is to say, "Revolutions are silly; therefore we ought not to have them." True enough, but revolutions are culminative breaks in the rhythm of history, consequences that have long trains of antecedents. They cannot be eradicated as Canute once tried to eradicate the pull of the moon on water. If Mr. Martin wishes to eliminate revolutions he will have to eliminate such things as hunger, monopoly, wars, envy, and so on. Mr. Martin's cure is to have men "get together and agree." But if men have clashing aims, how are they to agree on means? Only by some process of compromise or surrender. Well, Turgot, Strafford, Edmund Burke, Charles James Fox and many other enlightened men have tried to arrange for compromise, but the other side just did not listen. Mr. Martin is guilty of confusing what is desirable with what is inevitable.

* * *

Kenneth Burke's *Permanence and Change* (New Republic, Inc., \$1) is far more subtle and significant a discussion of historical progression than *Farewell to Revolution*. *Inflation Ahead: What to Do About It*, by W. M. Kiplinger and Frederick Shelton (Simon & Schuster, \$1), deals with one of the antecedent factors which sometimes make for a revolutionary situation; it, too, may be commended to Mr. Martin and those who think with Mr. Martin.

* * *

Eugene Lyons's *Moscow Carrousel* (Knopf, \$3.50) is an amusing grab-bag of material gathered by Mr. Lyons during six years in the Soviet capital. Mr. Lyons does not think much of the "ponderous bureaucracy" that administers the Russian economy; he does not, however, react from this dislike into the state of mind that thinks one can slap a revolution on the wrist and so dispose of it. Vladimir V. Tchernavin's *I Speak for the Silent (Prisoners of the Soviets)* (Hale, Cushman & Flint, \$2.50) tells one man's story of conflict with the Russian State. It is a harrowing and, very probably, a truthful story of oppression and blundering. But, to keep the balance, it should be weighed against the reports of Maurice Hindus and Louis Fischer, for example. Mr. Hindus and Mr. Fischer say the Russians are

Continued on Page VI

What Must We Do to Avert War in the Far East?

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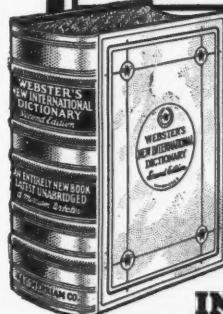
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Continued from Page V

willing to give Stalin *carte blanche* because the Five-Year Plan is now producing social dividends in the way of an increase in consumers' goods for the masses.

The ability of the American economic machine to produce is the theme of *The Chart of Plenty*, by Harold Loeb and associates (Viking, \$2.50). *The Chart of Plenty* is the sort of thing the Technocrats once promised but never delivered. After an inventory of potential capacity to produce, Mr. Loeb and his partners say that we could, given the requisite political conditions, reach a standard of living that would guarantee \$4,370 annually to each family in the United States.

Partners in Plunder, by J. B. Matthews and R. E. Shallcross (Covici-Friede, \$2.50), is a qualitative rather than a quantitative analysis of the goods turned out by American industry. Working with the files of Consumers' Research, Mr. Matthews and Miss Shallcross have reached the conclusion that the American consumer is a dupe, a softy and a pushover, willing at every turn to accept shoddy for his money. Would the consumer exercise any more selective ability with \$4,370 a year to spend?

* * *

Speaking of historical matters, Dr. Hans Zinsser, whose subject is typhus fever, contributed the louse theory of social change to the gayety of nations during the past month. His book, *Rats, Lice and History* (Little, Brown, \$2.75), traces the part which plague (the Black Death, &c.) have played in human affairs. Dr. Zinsser has a low view of human nature, and misses no chance to compare the human race with the family of rats. There is one thing in favor of the rats: They have yet to evolve the nationalist State. Dr. Zinsser's irony makes very palatable philosophical fare.

Out of the main track, but excellent for all that, is Francis Hackett's *Francis the First, First Gentleman of France* (Doubleday, Doran, \$3). Mr. Hackett, a fundamentally Carlylean worshiper of personality, does not give us the whole story of how the Renaissance came to sixteenth-century France, but he does weave a gorgeous and fascinating tapestry of the age of Rabelais and Machiavelli and Cellini.

Those interested in the history of exploration will want Leonard Outhwaite's *Unrolling the Map* (John Day, Reynal & Hitchcock, \$3.75), which is studded with such gems as the note on the East Indian slave, Malacca Henry, who was actually the first man to circumnavigate the globe. Magellan brought him to Europe from the East Indies, and when Malacca Henry reached the Philippines on Magellan's subsequent world-girdling adventure he found himself back on his original stamping grounds.

Mungo Park and the Quest of the Niger, by

Stephen Gwynn (Putnam's, \$3.50), is the story of how the Niger was discovered and explored, and how Timbuctoo was opened to Europeans. Park, incidentally, added the words Mumbo Jumbo to the English language.

Miscellaneous books of interest are Ogden Nash's *The Primrose Path* (Simon & Schuster, \$2.50), a collection of the goofy Nashian verse; young Cornelius Vanderbilt's unwittingly revealing *Farewell to Fifth Avenue* (Simon & Schuster, \$2.75); Joseph Verner Reed's chronicle of an ill-fated adventure in playing angel to some Broadway shows, *The Curtain Falls* (Harcourt, Brace, \$2.75), and *The Correspondence of Karl Marx and Frederick Engels* (International, \$3.75).

OTHER RECENT BOOKS

China's Red Army

CHINA'S RED ARMY MARCHES. By Agnes Smedley. New York: The Vanguard Press, Inc., 1934.

HOW much of the much-discussed "communism" in China is really Marxian, or even Soviet Russian? How much is simply the more or less blind revolt of the peasants, like the revolts that have come in times past when conditions have become so hard that death is practically certain if one does not revolt but only a chance if one does? Agnes Smedley's book does not provide complete answers to these questions; it is not intended to do that. But it does cast a good many sidelights on the "Communist" situation. By means of these sidelights the reader receives a vivid impression of both the blind rebellion of the peasants and the sincerely devoted efforts of the convinced Communists among the leaders, for Miss Smedley is one of the few Westerners who have had an opportunity really to see the workings of the Communist organization in China from the inside. But her book gives only one part of the story—the part in which all those, foreigners and Chinese, who are not wholeheartedly for the "Reds" play rôles of black villainy.

GROVER CLARK.

Japan Rides the Tiger

RIDING THE TIGER. By Harry Carr. Boston and New York: Houghton Mifflin Company, 1934. \$2.50.

THE title of this book comes from the old Chinese proverb, "He who rides the tiger dare not dismount," which may have been in the mind of the Japanese General Araki when he declared: "We must live dangerously—ride the tiger." Whether the Japanese people want to indulge in anything so reckless or not, the author finds that they have become almost hysterical through dread of war. Constant brooding over the 5:5:3 naval ratio and resentment against the Exclusion Act which permits more Japanese "to crawl into the United States as special classes than would come in with dignity under a quota," have made the Japanese believe that war with America is inevi-

Continued on Page XV

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APRIL 1935

The Clash of Continents

By ANDRE SIEGFRIED*

AFTER a long period of predominance, which at times seemed permanent, the Old World now finds that its leadership is contested. This means that not only the destiny of Europe but also her entire form of civilization is in jeopardy. We seem to be watching the birth of a new era in the history of humanity, an era which, like the Iron Age or the Bronze Age, will some time in the future be given its appropriate label, though we ourselves cannot as yet define it. Our new industrial methods can be described only as revolutionary, for their ferment far transcends the limits of mere production. The kernel of this revolution is the replacement of the tool by the machine. The way in which different races and different continents are reacting to these new con-

ditions is the fundamental problem of our epoch, and a complete upheaval in the geographic distribution of world leadership may result.

For many years it has been a question whether the policy of industrialization in the colonies and in overseas countries in general should not be opposed. Europe, without a doubt, instinctively wishes to offer such opposition in a very human desire to consolidate her privileged position, and when she gives way it is definitely against the grain.

England, for example, although she takes a liberal attitude toward her Dominions as a matter of political wisdom, has certainly regretted seeing them build factories of their own. All the plans of the imperialists for the past sixty years have been based on the assumption that the mother country should have the right to provide for the colonial markets. Manchester still resents the competition in India of Indian-made textiles, just as French industrialists would if Algeria were to start setting up fac-

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tories and workshops of her own.

But discussion is idle, for this movement cannot be stopped. All the colonies, one after another, would be up in arms if the mother country refused to admit that they have the right to develop in their own way. To restrain them is becoming more and more difficult, and eventually will be impossible in certain cases.

Let us not be deceived by appearances, however, for the movement is slow, taking not years but generations to accomplish. This makes it possible to establish a new equilibrium, or a semi-equilibrium, between the privileges of the Old World and the claims of the New by an adaptation that is both spontaneous and progressive. The new countries, having exported only primary products in the past, are now supplying semi-finished goods and beginning to manufacture finished goods for their own current needs. The old countries, feeling this competition in ordinary goods, are tending to specialize in the finer qualities. As the colonies and overseas countries and re-awakening dormant countries begin to raise themselves in the industrial scale, Europe is obliged to keep one step ahead. Thus there is always a certain distance between them, and their relationships remain virtually unchanged. As conditions are constantly altering and causing a continuous adaptation of the structure, Europe is really seeking not a static but a dynamic equilibrium.

The effect of these changes has long been apparent in the balances of trade and accounts of the most highly developed European countries, as is seen in the increasingly important part played by "invisible exports" in regulating international debits and credits. The British balance of trade has never been favorable within living memory, and in future its increasing deficit

will be considered normal. Britain's imports of foodstuffs and raw materials are still mainly paid for by exports of manufactured goods. Apart from this, however, the revenue from capital invested abroad, from the tourist trade, and above all from "services" of every kind, constitute an item in the exchange balance that increases in keeping with the industrial progress of the new countries. This simply means that a highly developed country has to bring more and more technique, science and originality into its exports to the younger communities. Quite apart from the actual goods exported, it must also be ready to furnish its efficiency, its organization and, in short, its own personality. Its foreign trade thus becomes more refined and more intelligent. This is its instinctive reply to the world transformations that are robbing it of certain of its functions. Moreover, its vulnerability diminishes by very reason of its progress.

The problem the Old Continent has now to face is how far it can adapt itself to present conditions of international trade. The drift of Europe in the nineteenth century now turns out to have been perilous. To use an expression from Nietzsche, she truly decided to "live dangerously." In consequence she is today burdened with an excessive industrial superstructure, too dense a population and a social standard that is becoming increasingly difficult to maintain. Two alternatives are possible. Either she must await the return of general prosperity to set her afloat again together with the rest of the world or accept the necessity of revising her entire position. Such revision, taking the pessimistic view, would involve sacrificing part of her equipment, giving up her high standard of living, and perhaps also reducing the number of

her population. A more optimistic thesis, however, suggests that her industrial structure can be adapted and reorganized so that the present level may be maintained.

Industrial competition is very different today from what it was before 1914, for the war, the post-war years and the crisis itself have brought radical changes. The chaos that has now become general has caught Europe between two fires, between America and Asia, between the high-wage level of the one and the low-wage level of the other. No matter which way Europe turns, her flank is exposed.

The pressure of low wages in the East and the Far East has introduced a new factor into the situation. The full effects of the general world industrialization are only now, since the war, making themselves felt. The West has brought this on itself, for without the extraordinary progress in its technique, this Asiatic competition could never have taken place. It is the direct result of mass production, which is the outstanding feature of our era.

During the past generation the factory changed in character more rapidly than we knew, for it was obliged to adapt itself to another transformation peculiar to our time, the decline of the working class. For this reason, not only during the war but afterward as well, every effort in both Europe and America has been directed toward substituting the machine for the workman, who had become expensive, scarce, clamorous and unmanageable.

The factory has thus been transformed into a mechanism that is standardized, automatic and interchangeable. The whole plant can be shipped in numbered parts to the other side of the world, where a handful of specialists traveling along with it can put it together and start it going. The ma-

chinery is so well arranged that its output is almost constant, no matter what sort of employees are used. Owing to the lack of qualified workmen, its inventors have planned it so that it requires no initiative on the part of the operatives, and a minimum of skill. Ford declares—and not ironically either, which makes it all the worse—that he requires no more skill from his workmen than they need to hang up their hats on a peg. Surely there is no one in the world—whether yellow, black or brown—who cannot do that much! A few engineers from the West are needed in the beginning to get things going, but even they can soon be dispensed with.

The countries of the colored races are clearly in an advantageous position. Machinery, invented and constructed in the West, where civilization and the standard of living are high, is transported to the East, where civilization and the standard of living are low. In the East wages are always at a minimum—five, ten, even fifteen times lower than in Europe or America. Even this is not the chief argument against such competition. The main advantage lies in the fact that, being new, industry in the East is not fettered by embarrassing legislation. The colored employer makes his personnel work long hours both night and day, and organizes his shifts to keep his output going continuously. He is free to use children, young girls and women. Organization, which is the decisive factor in modern industry, works entirely in his favor, since social considerations are not allowed to conflict with the exclusive interests of production. Consideration for the rights of the human element has, to all intents and purposes, been eliminated.

Meanwhile, the industrialist in Man-

chester has become the victim of a long evolution of social progress. He is floundering about hopelessly in a network of regulations, collective contracts, labor laws and humanitarian principles, all of which his conscience approves and which in fact are among the main bulwarks of Western civilization. When low wages are coupled, as in the case of Japan, with a technique that is often more advanced than in the West, competition is no longer possible.

Once the value of the individual is threatened, how can the European, who is staggering beneath the weight of his standard of living like an army with too heavy baggage, fight against those countless masses? Actually we are witnessing what has been described as "a gigantic arbitrage between two labor markets." In the textile world, for example, Japan, India and China are robbing Manchester of an entire part of its former territory. Japan, indeed, is now so highly mechanized that she has reached the stage where she can manufacture her own machinery; meanwhile, her wages, compared with those in England, are still at the Asiatic level.

On her western front, on the contrary, Europe is obliged to defend herself against countries with higher wages and a standard of living more pretentious than her own. The United States on the morrow of the war represented this competition. Although it has temporarily died down, Europe will have to face it again, for its causes are deep-seated. The conditions that give the Americans the victory are easy enough to analyze: they win the day when the high-wage level can be compensated for by the quantity of their mass production. This is due to their superior organization and their intelligently directed mechanism. High wages and mass production occur to-

gether only when there is available an enormous home market with sufficiently high purchasing power. Abundance of raw materials on the spot, 125,000,000 consumers forming a free trade unit surrounded by a single customs barrier — here are natural and political conditions that the Old Continent cannot hope to equal. When these conditions are fulfilled, America can compete irresistibly, but when they are not she is easily outdistanced in the international markets. The supremacy of the United States thus appears to be limited to productions that are carried out under the double sign of the machine and the mass. Otherwise she is crushed beneath her own wages, just as Europe is crushed in comparison with Asia.

In this way the trade between the two sides of the Atlantic operates as naturally as two liquids of different densities that have been superimposed in a flask. Europe, being still the Old Country so far as the New World is concerned, buys from the United States the raw materials and semi-finished goods she needs to feed her population and supply her factories. She also buys mass-produced articles, selecting as a rule the tools and machinery that are such a perfect expression of the American temperament.

The United States, on the other hand, being still economically young in spite of her gigantic development, imports from Europe foodstuffs and manufactures of high quality, especially goods made to order. She also imports—and would import much more if her tariff would permit it—the whole series of articles in which, being only partly machine made, the personal touch still counts. Here America's advantage diminishes and even disappears.

These three stages of industry, corresponding to the three continents and

their three stages of civilization, suggest an interesting discussion. The Americans boasted rather insolently during their prosperity that they feared one type of competition only, that of countries with a high-wage level. This recalls Sir Charles Dilke's book *Greater Britain*, written after his world tour in 1867 and 1869. "The lesson of my trip around the world," he wrote, "is the defeat of the cheap people by the dear people, the victory of the man whose food costs four shillings a day over the man whose food costs fourpence."

Must we agree with Dilke that it is always the higher standard that wins? This is much too simple. We cannot admit this any more than that the competition of starvation wages is bound to be irresistible. What is much more likely is that several stages of industrial production exist, each with its own law and its own chances of success. In some cases it is the poor who survive, and in others it is the rich. Perhaps also there is a domain where it is possible for the traditional civilization to survive. The law of production is not, and cannot be, the same for a cheap cotton textile, a mass-produced piece of agricultural machinery, and a costly silken fabric. How is Europe going to be situated in the midst of this international rivalry, with her very destiny at stake?

Without a shadow of doubt, under present conditions of world competition, Europe is beaten in certain fields. She is defeated in the East and the Far East by automatic machinery coupled with starvation wages. Add to this advanced technique in the case of the Japanese, and the offensive becomes irresistible. Japan has made use of tools that Europe, never giving a thought to the ultimate consequences of what she was doing, has been so

eager to sell. Being armed with this new weapon, Asia, thanks to her very misery, since she employs a veritable army of workers at infinitely low remuneration, without any provision against overtime, now outbids Europe.

"Asia can underlive Europe." In this terrible sentence Lafcadio Hearn expresses the tragedy of this merciless rivalry, in which the poorest comes out best. This is only too true at certain stages of production, for, like Gresham's law that bad money drives out good, in the competition between the two races it is not the more advanced that triumphs, but the more wretched that survives. Economically—one might almost say biologically—the more skilled is not necessarily the better, for in certain branches of manufacturing the social burden of civilization becomes too heavy to bear. In this respect it is an undeniable advantage to travel light with few requirements.

"Unfair competition," protests the workman with a high standard of living. In his case we must include in the cost of production his comfort, health and amusements, of which no one would wish to deprive him. But international commerce does not take such matters into account. It pitilessly recognizes only the force of might and possession, and that the weakest goes to the wall. During the past ten years the textile industry of Western Europe has learned this lesson only too well from the devastated areas in her export trade with India and China. Like a gigantic landslide, where the soil is giving way under one's feet, it threatens to deprive Europe of the markets of an entire continent. Ought Europe then to engage in battle in a field where her choice of arms cannot be effective, and where there is always the possibility of hav-

ing to rival the misery of her adversary? The countries that have depreciated the value of their currency have set out hypocritically along this road.

In America, at the other extremity of this immense field of battle, Europe is beaten for reasons that are exactly the opposite. The super-equipment, which in certain industries gives an enormous output per man and so permits a very high wage, is really just as much Europe's as America's. It is European invention that created it, European genius that made it possible. White race on both sides of the Atlantic. There is nothing which America has accomplished that Europe could not also have done had the problem been simply one of organization, technique and ingenuity. What is new in America, but also beyond Europe's grasp, is the size and simplicity of the theatre of operations. Within a framework of such vast geographic proportions, organization can produce results that are denied to Europe. The population of Europe is more numerous than that of the United States, and her natural resources are by no means negligible by comparison, but the Old Continent is so divided up politically, so imbued with hatreds inherited from the past, that the dreams of turning it into a single unbroken market will long remain utopian. If Europe had the same start, she could imitate successfully the scientific way in which the Americans have organized production, but geographically she is deprived of the factor of mass consumption, and by her age of economic youth.

However, Europe does not always suffer defeat on this double front. She is not always on the defensive, for the causes of her former prosperity have by no means disappeared. On the East as well as on the West, Europe still

has evident advantages, but in her post-war humiliation she lost sight of them.

Europe's technique is still superior to Asia's, including even Japan's. The Far East possesses an increasing number of excellent engineers and expert organizers, but difficult industries can prosper only where mechanical civilization is deeply rooted. The Asiatics, or indeed any of Europe's other imitators, are rather naively ready to consider themselves her equal as soon as they are in possession of her tools and have learned how to use them. This is not true. Real superiority lies not in running a machine, but in creating it. What would happen if Europe were to stop supplying the Orient with her genius? Let us suppose that for some reason she were unable to get into touch with Asia for a long period. Asia would certainly maintain her equipment, but would she be able to renew it? The tool and the hand that guides it count for little; it is the spirit which has created it that is significant. So long as Europe is still capable of invention, who can rob her of her superiority? The whole question resolves itself into how many difficult industries there are today, and how many there will be in the future.

With regard to America, Europe has learned from the crisis where she was exaggerating her strength. Even during the period of America's amazing prosperity some Europeans discerned the limits of her system, for they saw that the conditions of her success were clearly determined. Europe still has the advantage of greater individuality, and at the same time greater frugality. No one will deny that as an inventor of machinery the American is ingenious, but the European really is a more gifted creator. The shade of meaning may seem sub-

tle, but there is a difference. The inventive genius of the New World lies above all in discovering tools and machinery, and especially machine-tools, that will eliminate the human element.

When it is a question of creating, however, of making something out of nothing as artists do, Europe has a freshness that she will never lose. She will benefit by her very difficulties, as she will be obliged to work within a narrower margin and to keep her wits as sharp as a razor. The Americans, as Europeans know, are interested in solving only simple problems. They mine only the easiest minerals; they avoid industries that require too close application, too great patience and too careful calculation. Europeans are inclined to consider the Americans, when they are not overwhelmed in a crisis, as privileged persons. Nevertheless, the Europeans' more modest scale of living allows them to undertake certain enterprises which the Americans do not even attempt. As a result, when Europe competes with America, she carries the day, just as Asia does when she competes with Europe. But there is this difference: the quality, individuality and difficulty of the work of the Europeans become the decisive argument in their favor.

The present hostile attitude of the world, not only toward Europe but toward the entire white race, should be taken to heart. In so far as it was materialistic, the conquest of the globe by the white race is being turned against them. The phase of white domination is definitely over, at any rate for Europe. The white man's former tributaries, whether voluntary or involuntary, now refuse to serve him any longer. Meanwhile, he has lost faith in his own omnipotence, and is sometimes even losing his pride, which

if it did not make him loved at least made him feared. No doubt Europe will be able to maintain her supremacy for a long time yet in Africa and even in Western Asia, but in the Far East the days of her leadership are numbered. Europe must now alter her method of influencing the world.

Europe has been pessimistic enough, almost too much so; the crisis has taught her that certain non-European giants are not without their weaknesses also. Europe still retains two vital factors—her genius for creative invention and her appreciation of spirituality, both of which are bound up with her traditional culture. Europe is thus forced to rely upon her own superiority, the unique stronghold into which the overseas countries can penetrate only with difficulty—quality, "services," international finance; this is where Europe undoubtedly excels. Although on this course America is close at Europe's heels, she has not yet caught up, because success takes the time element into consideration.

The main difficulty is that such a basis is too narrow to support a whole continent, especially on the high level which Europe has reached. Just as deep water is required to float a large ship, so the economic activity of Europe, being based upon international trade, cannot carry on with a small volume of transactions. She would pine away from lack of nourishment. If the complementary trade between the continents changes, even partially, into complementary trade within the boundaries of one continent, or one country, will that not mean stagnation for transportation, for the great *entrepôt* markets, and for the Stock Exchanges? The Old Continent would be the first to suffer. In the same way if foreign markets do continue to accept Europe's high qualities, but shut

out her ordinary goods, will she not be obliged to contract not only her equipment, but her population, and also her standard of living?

Democracy is everywhere digging itself in just when the possibilities of a decline are looming up. It is determined to consolidate what it has acquired so far, even if its old basis disappears. From now on in many of the Western European countries the standard of living of the people is depending more and more upon the generosity of the State, and less on any real economic foundation. Already public budgets are overburdened, as more is being distributed than is being produced. The level of wages and social services is in many cases fixed for political reasons, and is not based on the state of the labor market. No government dares touch the standard of living, which the political parties have made sacred. So the necessary money is first obtained by despoiling the wealthy classes, and then, following the line of least resistance, by inflation.

Among the many solutions that present themselves, two appear to be possible. One is to turn certain European countries into closed economic units, as was the case during the war when the Central Empires contrived to live upon their own resources, without either imports or exports. Germany is trying to do the same thing again today. She is attempting to support a too numerous population on a territory that was always considered insufficient in the past. By stamping on the ground she is trying not merely to conjure up armies, but also wealth, especially wealth that depends less on nature than on chemical genius and the rationalization of mankind. Life in Germany is virtually on a war-time basis, which has meant the loss of liberty, a reduced standard of liv-

ing, a strong police, concentration camps—everything served up with a sauce of mysticism to make the pill easier to swallow.

On the other hand, in England and France, owing to the standardization of life with its mass-produced houses, clothing, transportation, and even amusements, the common people are enjoying an increasing amount of cheap semi-luxury which seems to satisfy them. Such Americanization of European customs is an eventual solution, for without apparently lowering her standards, Europe can thus reduce the cost. In the process, however, she would lose her very soul.

One wonders if such a course is absolutely necessary, but life first! I feel that it is with undisguised sadness that the European élite would view such a trend. With its halo of romance and the creative power underlying it, the German solution kindles the imagination. But the Babbitt idealism of the American method terrifies Europeans by its monotony. In any case it is not even the best that America has to offer. Europe without her individuality would be only one continent among many; she would cease to be the yeast which leavens the rest of the world. If she adopts the American solution she will lose in the economic field her superior technique, which is one of the chief reasons for her to survive more or less in her present state.

We must not allow Europe's creative genius to perish. It is born of the spirit—of the liberty of the spirit—and of disinterested culture. If Europe conforms to the present trend and sells her soul to mass production, she will undermine the foundations of the civilization on which she lives. She must not let herself be flattened out by either the American masses or the Asiatic masses.

What Is Public Business?

By STUART CHASE*

FROM 1912 to 1930, in the United States, government activity per capita more than doubled. Under the New Deal the State has invaded economic activity over a vast front, rendering the earlier advances trivial in comparison. Some \$16,000,000,000 has poured out of the public treasury, the bulk of it to do things which private business normally does—such as to lend money to railroads, banks, farmers, home owners; such as providing jobs for millions of citizens. The government, especially the Federal Government, did not undertake this business in order to prove theories, but was driven to accept it, as private enterprise shrank under duress of the depression. The one consistent theory in the premises was to halt further deflation, to keep Americans from wholesale starvation and somehow to stimulate purchasing power.

In my preceding article the analysis of the activities of the New Deal was intentionally objective. It was an attempt to describe what was done, and sometimes why it was done, and not to pass judgment on the wisdom or folly of the respective measures. A large assortment of public business was presented to the reader. It now

becomes our task to study the theory of public business and to find out what activities really belong in the public sector. Where is the long-term line between public business and private? If nothing so fine as a line can be discovered, what economic activities are demonstrably public, what are private, and what are left in the zone between?

These questions, as J. M. Keynes has emphasized, are of paramount importance. Here are governments the world around, staggering and swaying under vast new functions thrust upon their shoulders by private enterprise in full retreat. Perhaps the load is over great; perhaps private enterprise should be coaxed back to resume part of the burden. Which part? One difficulty in this program is that nothing coaxes private enterprise except the hope of profits, and profits in worldwide depressions do not grow on every bush.

The gravity of the problem demands the utmost objectivity in approach. A planetary visitor, fresh from Jupiter, unhampered by conditioned emotions, opinions, dogmas, traditions, would be more than welcome. He would hold no brief for the State or for the business man, for socialism or capitalism, for regimentation or rugged individualism. These fighting words would mean nothing to him, touch off no emotional vapors to obstruct clear thinking; only the facts would register.

Unfortunately, no mere earthling can be quite so dispassionate. One of the strangest freaks of history is the

*In an article entitled "Government in Business," published in *CURRENT HISTORY* for March, Mr. Chase surveyed the growth of public business in recent years and particularly under the New Deal. In the present article he discusses the significance of this development. Because of the controversial nature of the subject, Mr. Chase's articles will be followed by the presentation of a different point of view.

American religion of business first; religion is the only word adequate to describe it. Its roots lie deep in the pioneering tradition, in the ruthless conquest of a continent. They do not lie in human nature. Down the long record of civilizations, the State has usually led and private enterprise has usually followed. The community has been primarily responsible for economic decisions, and the leadership has been accepted as just, reasonable and to be expected. Only with the rise of capitalism has the community as corporate been heaped with calumny and suspicion.

"I go upon the facts," said the Rev. John McVickar at Columbia University in the Eighteen Thirties, "and finding from them all that tends to exalt, refine and give comfort to man growing up under the patronage of commerce, I cannot but reverence the claims of commerce as something *holy*." This is a straight transference of the doctrine of the Divine Right of Kings to the Divine Right of Business.

In the face of this century-old tradition of belligerent opposition to the State, the dispassionate drawing of zones between public business and private is beset with difficulties; it is bound to arouse stormy emotions in bosoms to the right and to the left.

What is an economic system for? We cannot intelligently discuss means without defining ends. What do we want out of private business or State business or cooperative business or any other form of industrial activity? Do we want the creation of a few millionaires and a host of paupers? Do we want a community armed for battle? Do we want the simple, pastoral life? One must choose. The end I should choose is this: (1) An economic system should provide an adequate supply of material wants for

the whole community; (2) it should provide, on this material base, an opportunity for civilization to develop.

A way to eat; a way to pursue science, literature, music, the arts of living. Let us assume that the purpose of economic activity is not to achieve a society of millionaires and paupers such as unabashed capitalism has tended hitherto to produce, nor to achieve a society of warriors such as ancient Sparta or modern Germany, nor a bucolic utopia such as in Samuel Butler's *Erewhon*, where the machine was banned. Let us assume as its end economic security, jobs for all, a full use of inanimate energy and modern invention, steadily expanding standards of living, the fostering of the arts and sciences.

One can quarrel with these aims, but they are not out of line with those formulated by other students and philosophers who have paused to consider the economic objective. In the past three years I have received upward of one thousand "plans" to save the world. In nine out of ten of them the prologue formulates identical aims. President Roosevelt has called for a more abundant life, for work rather than the dole, for economic security, for the full use of productive facilities, for the subordination of the rule of the money changers to the rule of public welfare. As we noted in my preceding article, these aims are taking tangible shape in many of the New Deal's activities.

What goods and services enter into a budget of material well being? If we can list them, attention is automatically forced upon those activities which must have right of way, which cannot be curtailed, wasted or sabotaged without grave social loss. It follows that they are *prima facie* public business. It may or may not follow that the community should own or op-

erate them, but at least the community must see to it that the supply comes through.

but often in reality there are four or five steps between natural deposit and finished article for consumption. First

TABLE I—UNIVERSAL WANTS FOR MINIMUM HEALTH AND DECENCY

<i>Item.</i>	<i>Industries Concerned (Partial List Only)</i>
Water	Water supply, flood control, afforestation.
Food, balanced diet	Wheat, corn, cattle, fisheries, meat packing, canning, creameries, processing, imports of coffee, etc.
Shelter; sound, sanitary housing and furnishings	Construction industries, furniture, textiles, plumbing supplies, ceramics, electrical appliances, hardware, glass, paint, etc.
Clothing, for protection and decent appearance.	Production of cotton, wool, silk, rayon, linen, leather, rubber, boots and shoes, garment making, hats, etc.
Education, through high school; adult education	Public schools, textbooks, stationery, furniture, libraries, museums.
Health, adequate protection	Sanitation, hospitals, doctors, opticians, nurses, drugs.
Recreation	Parks, playgrounds, theatres, motion-picture photography, musical instruments, lodges and clubs, simple sports—playing and watching.
Transportation, to work, to procure supplies	Passenger service, railroads, trolleys, buses, motor cars, ferries, boats.
Communication	Mails, telephone, telegraph, radio, newspapers, magazines.
Personal services, and supplies	Barber shops, tobacco, gifts, laundries, watches, toilet articles, funerals, etc.

TABLE II—ELASTIC WANTS. LUXURIES AND PREFERENCES ABOVE MINIMUM BASE

Fancy foods and drinks	Imported and exotic delicacies, confectionery, vintages.
Fancy housing	Domestic service; luxury furnishings such as hand-made goods, period furniture, objets d'art; interior decorating, landscape gardening.
Fancy and fashion clothing	Custom-made garments, extreme fashions, rare fabrics, furs, lace.
Higher education	Universities, foreign travel, private libraries, symphony concerts, private schools.
Fancy recreation	Florida, the Riviera, motor boats, yachts, sporting outfits, cruises, resorts, gambling, hunting, horse racing, hobbies and collections.
Personal service	Jewelry, cosmetics, beauty shops, valets, clubs, etc.

TABLE III—UNDERLYING INDUSTRIES AND SERVICES (PARTIAL LIST)

Agriculture, fisheries.
Forestry, lumber.
Energy complex—coal, oil, natural gas, water power, electricity.
Metallic complex—ores, steel-making, manganese, nickel, tin, chromite, tungsten, copper, lead, zinc, mercury, etc.
Chemical complex—chemical industries, nitrates, sulphur, potash, phosphates, rubber, etc.
Cement.
Clay, brick manufacturing, stone, sand and gravel.
Construction industries—capital goods.
Machine-making—capital goods, presses, lathes, etc.
Paper and printing.
Freight transport—railways, highways, waterways, pipe lines.
Distribution agencies—retail, wholesale, warehousing, refrigerator service, etc.
Import and export traffic.
Banking, brokerage and insurance.
Professional services—engineering, architecture, law, accounting, etc.
Government service—army, navy, courts, civil service, etc.

These lists, incomplete and oversimplified as they are, have a sobering effect upon those who would allocate zones. Table III serves Tables I and II,

the steer, then the hide, then the leather, then the shoe. The intricacy, specialization and cross-reference of the modern service of supply is colos-

sal. Commodities and services weave in and out, through, over and under one another. Small wonder that the business man, seeing this intricacy as his vocation, wants to throw the State out of it all, while the radical wishes to throw private enterprise all out. Both assume it to be difficult or impossible to divide the field; all-or-nothing solutions are easier on the mind. We may rest assured, however, that history will continue to divide the field in the future as she has done in the past, paying little attention to the alarms from either camp. When we come to study the lists with care, we see the rough patterns of the divisions history has already made.

Table I shows clearly that the State is deeply involved in the flow of consumers' goods for the mass. Water supply, education, public health service, recreation, transport, communication are recognized public functions, subject to major regulation, control and often outright ownership. Many of these services are now free in the sense that citizens do not pay for specific use of them, although payment is made indirectly through taxes.

The three great items of food, shelter and clothing have heretofore been in the private zone. The AAA, as we noted in the preceding article, is in the midst of collectivizing the food supply. Agriculture is rapidly becoming public business, not only in the United States but in the Soviet Union, Germany, Great Britain, Italy, Denmark, Australia and Canada. The New Deal is clearly headed for a huge housing program, thus to transfer parts of another large segment from private to public business. We find that housing for the lower income groups is State business in Sweden, Great Britain, Austria, Germany and other countries. Private capital cannot afford the low interest rates involved.

The provision of clothing continues as primarily private enterprise. Modifications, however, are to be noted in the AAA cotton control, the NRA textile, garment making, boot and shoe codes, and the FERA experiments in garment manufacturing by the unemployed for their own use.

Education is chiefly public business; health and recreation increasingly so. Transportation and communication are under public regulation, and hover on the brink of thorough-going control. These industries have long been regarded as "affected with a public interest." It is difficult to see why they are more affected with a public interest than most of the other items on Table I. Food, shelter and clothing are even more primary wants. The Supreme Court has all but given up the attempt to draw the line. Said Mr. Justice Holmes: "The truth seems to me to be that the Legislature may forbid or restrict any business where it has sufficient force of public opinion behind it."

Fortunately, we already know for the United States what the universal wants foot up to both in physical quantities and in money. The National Survey of Potential Product Capacity, after a nine months' survey by sixty engineers and technicians, has struck the totals. In 1929 an ample budget of health and decency for the 30,000,000 families in the country would have cost, in current dollars, something over \$130,000,000,000, or about \$4,000 per family. The physical plant was in a position to produce the bulk of the required goods. (Adequate housing would take a few years to construct.) The Survey found that an output of consumers' goods much above that figure could not be used. Plain food, sound shelter, education through high school and the rest (in-

cluding a motor car), worth altogether between \$4,000 and \$5,000, are about all that any average-sized family can consume. Much more is waste and surfeit. Additional goods and services are often eagerly desired and can readily be consumed, but they fall in the province of Table II, the luxury budget. Here they tend to leave the domain of quantity production, and enter that of handicraft, custom building and the various satisfactions of personal taste.

The State, under our definition, has no interest in scarce goods for ultimate consumption, where personal taste reigns supreme. Here individualism in its best sense should have full scope. Once universal requirements are assured, the community should cease to meddle. The elastic wants of Table II appear to be pre-eminently fitted for private enterprise. Beyond the services listed, one would be inclined to place in the private sector the initial stages in the development of new industries and new commodities. Here the genius of the individual should operate with a minimum of restriction.

Collectivism is now comparatively weak in the elastic wants sector. Some of the industries are under NRA codes; the food and drug legislation has its eye on cosmetics (and why not?); many universities are State owned and operated. Prohibition was planted here once, but it has gone. Certain books, magazines, art goods are subject to censorship. Happy the day when this, too, shall have gone. The division of elastic wants is a fair field for private enterprise. Unfortunately, many of its industries, such as textiles, house construction, garment making, food processing, are identified with those supplying inelastic wants. The same factory often makes both common and luxury goods. Only

part of the factory is thus affected with a public interest. But collective control of part of a factory makes no sense. We will not try to resolve the problem at this point; only register the fact. Certainly a great many factories, a great many activities, are cleanly in Table I or cleanly in Table II.

In Table III we find a list of basic industries and services underlying both inelastic and elastic wants. These are primarily the heavy industries, the capital goods sector, plus financial and professional services. It follows that if Table I is public business, Table III is largely public business, for the budget will not be met unless the underlying industries are in order. We shall not have houses in the present style if the forests disappear, or mass produced boots if machine making is in the dumps, or much of anything if energy or transport cease to flow. So long as we use money, banks cannot be permitted to close their doors. So long as we ride in automobiles the imports of rubber must come through on schedule, or substitutes be developed as the German Government is now trying to develop them. Retailing and wholesaling are essential to the budget as a mechanism of distribution, but the public interest therein is less than in the production of the materials distributed.

The bulk of Table III is unquestionably public business. In one sense, already widely recognized, it is peculiarly public business where natural resources are involved. The State is already heavily involved. Major regulation, control or ownership are to be found in the fields of power generation, freight transportation, oil exploitation, pipe lines, forestry, soil erosion prevention, even in banking, brokerage and insurance. Steadily the State moves, both here and abroad,

toward monopolistic control of exports and imports. Without it, where is economic nationalism? In the event of war, the completest blueprints are now on file for the nationalization of substantially this whole section, especially raw materials.

With the above lists in mind, let us now consider public business from a somewhat different angle, that of functions rather than of commodities. The depression has taught us one supreme function of public business, namely, to keep the whole mechanism turning. Under power age conditions, stoppage is fatal. This applies to banks as well as to factories. "Natural forces," classical "economic laws," have been summarily discarded. The old automaticity of *laissez-faire* has gone forever. The importance of this abrupt shift from self-regulation to State regulation cannot be overemphasized. It marks a change as far-reaching as that from feudalism to capitalism. Many still hope to retain automaticity and the free market, but one fears it is a wistful dream. Great mass production units and *laissez-faire* are incompatible.

Apart from overhead control in emergencies, there appear to be four main functions of public business under modern conditions. It is demanded in these cases: (1) Where private business is not interested in performing the function; (2) where private business has ceased to make profits and is withdrawing from the function; (3) where private business is performing at a profit to itself, but is bungling the job in terms of the waste of natural resources; (4) where private business is maintaining harmful monopolies, dedicated to the maintenance of an artificial scarcity and abnormally high prices. Let us consider these functions in order.

1. "We must aim," says J. M.

Keynes, "at separating those services which are technically social from those which are technically individual. The most important *Agenda* of the State relate not to those activities which private individuals are already fulfilling, but to those functions which fall outside the sphere of the individual, to those decisions which are made by no one if the State does not make them."

It has long been the function of the State to do what private business will not or cannot do. The maintenance of the army and navy is a case in point. Modern States before the depression were doing many things which private business formerly did—education, water supply, highways, even prison maintenance. Private enterprise is not greatly tempted by parks, playgrounds, sanitation, public health service, coast guarding, channel clearing, fire departments, and scores of other essential activities.

What else ought to be done that nobody is doing? An answer to this question is important at the present moment. Congress is about to give the President \$5,000,000,000 to spend on public works. Some of it might go to fill such blanks with great advantage for all concerned. Here is a list of things that nobody is doing—at least, on an adequate scale: Pest control, research in pure science, research for protection of the consumer, education for civil and public service, adequate statistics on unemployment, living standards, etc., prevention of stream, harbor and beach pollution, and social insurance (increasingly necessary under highly specialized economic conditions).

The major vacuum which the State is now filling is unemployment. Private business finds no place for between 8,000,000 and 10,000,000 workers. The United States has elected to

secure jobs for many of them in public works. It is extremely probable that whatever the ups and downs of the business cycle, this gap is destined to remain impressive in the future. Machines and agro-biology produce unemployment as well as business cycles.

2. Private business has been known as the profit system, but the profit-and-loss system would be a more accurate title. After a sufficient period of losses, the life blood of private business dries up. But the community may badly need the service. So the State must step in, either to underwrite the loss or to take over the enterprise. We have already noted how the State has stepped into agriculture, a business which has been losing money since 1921. Similarly it has entered banks, railroads, life insurance, real estate, merchant marine and air transport. It must presently step into the bituminous coal mines, which have been failing to make profits as an industry for years. All the above are essential services which cannot be permitted to cease operation.

Once in, the question arises of how long the State can afford to subsidize losses. Perhaps the air-transport industry, a husky infant, can be spoon-fed through mail contracts, until ultimately it stands on its own feet and pays its own way. But agriculture, railroads and coal are old industries, enfeebled by the buffets of a changing technology. If the community must support them indefinitely, they obviously must be reorganized, their costs and duplications reduced. This means far more than financial handouts; it means strict State control, if not outright ownership; service at cost to become the ruling principle. Opposition may be considerable in theory, but it is likely to be slight in practice. Private

business, whatever its moral scruples, is not really interested in unprofitable enterprises.

When the New Deal underwrote the banks, they were in desperate condition with their assets tightly frozen. Some thawing has since taken place, but from the large and general point of view, the drop of \$200,000,000,000 in values placed on the national wealth during the depression has fallen largely on the portfolios of the banking institutions, and no amount of superficial liquidity can ultimately hide the fact. This means that the government must keep its credit under the banks indefinitely. It might be cheaper and less troublesome to take them over, particularly if the finance of the future is to concern itself more with consumption than with production. Private bankers do not know how to finance consumption and are afraid to try. Somebody will have to try and that soon.

3. We have noted how essential raw materials become prime public business in war. There is a not inconsiderable body of opinion that believes that the same principle holds true for peace. Even such a conservative as Mark Sullivan writes that coal, oil and natural gas "are, in the legal phrase, affected with a public interest. These natural resource industries should be set apart in law, as nature has set them apart in fact. They should be given a status and treated in a manner analogous to the status we have already given public utilities." To the three industries named by Mr. Sullivan we might add copper, lead, zinc, tin, iron ore (of certain grades), phosphates, helium, as irreplaceable assets whose conservation is a profound public trust. The lumber supply and the water power linked with it are not technically wasting assets, but a century of private exploitation has

brought about a situation where, in the Nineteen Twenties, we were cutting our forests four times faster than they were growing. At this rate in a generation our land would be bare as the hills of Greece. Afforestation belongs in the public zone and 350,000 young men in the Civilian Conservation Corps attest it.

4. The function of the State in attending to nobody's business, in salvaging profitless enterprises, in conserving natural resources, is demonstrable to all sensible men. Even if it were not demonstrable in theory, one need only look at the facts, and find governments the world around ever more deeply involved in these divisions. When we come to private monopolies, whether overt or covert, the demonstration is not so obvious. Shall we nationalize aluminum manufacturing, steel manufacturing, oil refining, meat packing, agricultural implement making, motor car manufacturing, shipbuilding? Roars and storms of protest rise, not only from the several monopolies, but from the whole middle class and from many of the workers. We shall certainly not nationalize all of them tomorrow.

In so far as the monopoly, or the Big Business unit, contributes an essential commodity to the budget of universal wants, the community has a vital interest in it. If it caters to the luxury budget, the interest wanes. The community may desire nothing less than to undertake the supervision of Big Business, but the community today is in a very precarious situation in respect to its service of supply. Fifty years ago business units were generally small, competition keen, prices held down, technical advances frequently passed on to the consumer. The waste, of course, was colossal, and the industrial death-rate high. Big Business has now substituted "ad-

ministrative competition" for the older variety, which means that when prices tend to fall, production is summarily curtailed. Gardiner C. Means, in a recent study for Secretary Wallace, shows what happened to certain industries in the depression.

	Per Cent Drop in Production	Per Cent Drop in Prices
Agricultural implements....	80	6
Motor cars	80	16
Cement	65	18
Iron and steel products.....	83	20

Under small-unit competition, the drop in prices would have been far greater. By way of contrast, when the farmer's prices fall he tends to increase production, hoping for more cash income. The farmer, until the AAA took him in charge, operated in the free market. When his prices fell to a half or a third of the pre-depression level, his output did not decrease. Big business "competition" and small-unit competition thus behave in opposite ways.

Monopolies and big business, furthermore, are in a position drastically to reduce the wastes and duplications which always attend free competition. Big organization in many fields—though by no means in all—is a technological imperative. The railroads should obviously be one system. Yet if the community surrenders to uncontrolled private monopolies, what it stands to gain through waste elimination may be lost through restriction of output and exorbitant prices.

So there we are. Free competition in many commodities has gone for the calculable future if it has not departed forever. Despite its price protection, it was an enormously wasteful method. Monopoly is here; the power age sanctions it; much waste is eliminated, but in private hands its objective is all the traffic will bear, through the judicious creation of artificial

scarcity. There is no escape from this dilemma except to control the price controllers.

This brings us back to the NRA and its de facto abrogation of the anti-trust laws. It looks as though the United States were in for big business cartels, or permitted monopolies, such as have long been known in Europe. Here also they have been long known, but sub rosa. Now they come boldly into the open—steel, aluminum, copper, oil refining, cement, motor cars, harvesting machinery and the others that have reached working agreements for the businesslike control of production.

Once they are in the open, sanctioned by the State, then what? The several cartels, as the most powerful bloc on the horizon, may bolt with the whole economic system, or they may bow to a superior force in the government, which exacts a price for the privilege of unabashed monopoly. That price may well be social control, running to such forms as excess profits taxes, complete publicity of accounts, prohibition against shutdowns for the maintenance of prices, quality standards for the consumer, veto power on new investment, the prompt distribution of corporate surpluses. If all else fails, the price may be outright ownership.

Radicals shiver in their shoes, convinced that the Big Business is going to bolt with the show. Certainly it will if it can. But can it? Many of the cartels are in the fated capital goods division of industry, which technological forces have destined for a smaller rôle in the future than in the past. All of them are quantity production industries and so dependent in the last analysis on the buying power of the masses. The State is now the only catalytic agent which can generate that buying power. If the RFC, the

PWA, the AAA, the relief organizations shut up shop, the several cartels would be in grave danger of shutting up shop too. Certainly at the present writing the State has the upper hand, precisely as it had during the World War. The cartels, for the moment, must come to terms with the State, lest the mass income which feeds them be cut off. How long the State will hold the whip hand is for history to decide. If capitalism is really declining, as some fear and others hope, the whip will remain in the hands of the State, and the cartels will move by one regulation after another into the penumbra of public business.

Interestingly enough the great corporate groups are by their very nature closer to collectivism than the scattered hordes of retailers, laundry owners, garment makers, gadget manufacturers and other small business men. They are impersonal, cumbersome, plagued with red tape, highly organized. Except at the top, the Bell Telephone system does not differ greatly from the Post Office system. Their armies of employes have the same type of habit patterns and responses. The girls on the switchboard suffer from no more responses to the profit incentive than do mail carriers. The Bell system certainly has better research laboratories and perhaps plans better for extension of service. The Post Office system does not have to hop around for stockholders and does not have to pay 9 per cent on somewhat diluted stock. Of course the telephone company is already half in the public zone as a regulated utility, but serves as the type toward which Big Business generally is showing every sign of moving.

Big Business, it must be remembered, has twisted traditional notions of private property upside down. Berle and Means in *The Modern Corporation*

show in great detail how the owners of our great corporations no longer control them and how the non-owning "control" often plays ducks and drakes with the property to its own advantage and to the detriment of the stockholders. The law has not caught up with the "control," and the 2,000 men or more who dominate the 200 corporations comprising Big Business are in a shaky legal position. Witness Mr. Insull. Meanwhile, the lawful owners ask little more than a conventional dividend, some 4 or 5 or 6 per cent they can count on, send the children to college on. Few of them have the slightest interest in their property as an operating mechanism.

How, in this situation, can the traditional logic of property still apply? Because an owner who was responsible for his property was protected by the State, must it necessarily follow that an owner who has surrendered control of his property should likewise be protected to the full? Here is the weak link in the whole corporate structure. Deny the protection, deny the "control" the right to play fast and loose with other people's property, and Big Business is left swinging in a legal stratosphere, not really owned, not really controlled. "The control groups have cleared the way for the claims of a group far wider than either the owners or the control. They have placed the community in a position to demand that the modern corporation

serve not alone the owners or the control, but all society."

We have noted the aim of an economic system under high energy conditions—an adequate livelihood for the last family as the base for a genuine civilization. We have seen how economic activity falls into three great commodity divisions—the essentials of life, the niceties, the underlying industries. If the aim is to become a reality, the first and the third are largely matters of public business. The second can be left to private enterprise.

Again, we have seen that from the functional point of view the community has an explicit interest in doing those things which private business does not do, in maintaining services which, because of losses, private business is abandoning, in conserving natural resources. If Big Business, having abandoned free competition, is to become, as in the NRA, a State-sanctioned series of monopolies or near monopolies, the community must either control them or render itself liable to appalling stoppages in the interest of high prices. Finally, we should emphasize again that public business operating in any given zone does not necessarily preclude private business therein. It may leave private ownership legally intact, simply transferring cardinal policy decisions to the community. That these decisions cannot fail in the long run to affect profits goes without saying.

Germany's Shattered Economy

By WILLSON WOODSIDE*

THERE are many people who held that inexorable economic laws would in the end be too much for Hitler's National Emotionalism. The German Communist party, in fact, based its whole strategy on this. "Wait, and let the Nazis fail," they said. Events seem to be justifying them, for the Nazis are struggling within an ever tightening ring of economic difficulties.

In justice to Hitler, let it be said that the task he took over so eagerly was no light one. If the depression or, as it is more usually called in Europe, the crisis has been hard on us here in America who met it under conditions of the greatest prosperity yet seen by man, imagine what it has been like in Germany, bled white by war, overpopulated, scarce able to coax enough food from a poor soil, in debt to all the world, and utterly dependent for a living on export trade at a time when nations do not want to import—and on top of all this, revolution and the Nazis.

Germany is poor. Shorn of colonies, capital and markets, she is in need of most essential raw materials, of foreign investment income to make up a normally adverse trade balance, and of sales of factory products that must support two-thirds of her people. Three years ago her exports were more than Great Britain's; now they

are little over two-thirds. While Great Britain is able to go merrily along importing twice as much as she exports, Germany with a much greater population is now pinched down to well under half of Britain's supplies. Certainly Germany is poor; which does not mean to say that she herself has not helped to make the situation what it is.

Where then out of this poverty have Hitler and Schacht found the resources for their much-talked-of armament program, the work-making campaign, the marriage loans and so on? What is the actual state of their trade, and how far have they gone with the building of *Ersatz* (substitute) industries? What about shortages, prices and wages? Is an inflation inevitable? Can Hitler and Schacht solve their problems?

German trade is at the lowest point in ten years. It is just three-quarters of what it was when Hitler rose to power, which is a good deal less than three-quarters of what it ought to be in a mildly recovering world. The boycott is not the primary cause of this drop; exports actually improved in every quarter in 1933, the year of the Nazi revolution. The main reasons are the cessation of the huge Soviet purchases and the greatly increased tariff protection of agriculture, which just at the turn of 1934 caused the termination of most of Germany's trade treaties. The discontinuation of the cheaper government-subsidized *Sperrmark* (blocked mark) exports in the middle of last year further weak-

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ened the chances of German exporters.

Add to these disadvantages and setbacks such factors as high costs of production through the loading of industry with unneeded workers, idle running time caused by raw material hold-ups, interference and bureaucracy, buyers' fears of getting inferior quality goods, and the high price of the mark. Twisting and turning to find a way out, the Nazis have sought—whether from desperation or as a matter of common sense—the method of barter. Much is being made in the German press of the attempts to arrange these deals—cotton and copper from the United States, coffee from Brazil, nitrates from Chile and wool from South Africa, all in exchange for German manufactures. So far, however, only the South African bargain shows promise; the Americans at the Leipzig Fair displayed no interest in these complicated exchanges.

In any case such deals could be only a drop in the bucket. They cannot get around the main truth that Germany's big export business lies in Europe, is made up of steel, machinery and chemicals and therefore depends on the maintenance of a tranquil European atmosphere favorable to new construction. But the maintenance of tranquility of any kind has never seemed a Nazi predilection! Germany's big customers here, too, have been sharply rebuffed by Schacht's wily methods in the handling of the debt transactions and, what is worse, his failure to pay for actual goods received. The harm to Germany's trade, always bitterly attributed in Nazi speeches to "the devilish international clique of boycott," is mostly of her own making. The export returns show for January, 1935, the amazing new low of 299,000,000 marks, as against 800,000,000 marks in the corresponding month of

1931. This raised the question whether the next move would not be a declaration of a moratorium on all private foreign debts, as 400,000,000 marks is still being annually transferred in interest.

On the import side the process has been one of slow starvation. With all the gold reserves gone, imports can be paid for only out of the *Devisen* (foreign exchange) available from the steadily declining export business. The *Devisen* income is liable to be less in 1935 than ever before, although with *Sperrmark* exports finished, all exports now bring in full value in *Devisen*. Moreover, the Soviet gold payments of 50,000,000 marks a month for old imports are about to come to an end, and this will have much the same effect on the *Devisen* supply as a further 15 per cent drop in exports.

If imports appeared to be at a high level lately it is only because they are so much above exports; actually they are only level with the 1932 imports and just half of the 1930 imports. The German industrial machine, however, had been speeded up by the Nazi work-making credits to 50 per cent faster than at the low point of 1932 and, in fact, to about the mid-1930 tempo; there was not sufficient material to feed it. As the larger part of this increased production was in heavy industry, directly or indirectly serving re-armament, a shortage of necessary things was created. Iron and machinery are 75 per cent above mid-1932, consumption goods only 17 per cent above.

Imports for December, 1934, and January, 1935, reached the highest average since 1931, running up in January alone an adverse balance of 105,000,000 marks. Schacht blames it all on the clearing arrangements, which he says had created 500,000,000

marks of new commercial debt, but it seems to indicate a breakdown of the "New Plan." He promises to curb imports anew (but also to supply "exporters liberally with raw material") and to encourage exports by a manufacturers' mutual subsidy fund.

Among the imports now most severely restricted are wool and cotton. During the last half of 1934 certainly something less than the country's needs was brought in. But for an entire twelve months up to that time more had been imported than even in 1928 and 1929. There was a real boom in textiles, and by late Summer the largest manufactured stocks since the war had been piled up. Thus a real consumers' shortage should still be some way off.

The choking off of necessary imports has brought out a flood of substitutes and a much greater flood of talk about them. You hear of *Vistra*, *Wollstra*, *Rayonstra* and *Silekstra* (substitutes for cotton, wool and silk); of *Zellstra*, *Cuprana*, *Seelo*, *Flira* and *Angorina*. Many would imagine the Germans already to be wearing paper boots and thistle cloth suits, and riding on steel-tired bicycles. Actually things have not gone quite that far.

Much political clamor has been made out of the issue. Opportunity has been taken to call for a demonstration to the world of "disciplined sacrifice." "The world," we are told, "need not think it can bring us to our knees. We can make substitutes for anything we require." No doubt there is a strong desire, after the bitter lesson of the war, to make Germany as nearly self-sufficient as possible; this is mixed with worship of the God of German Technical Genius. Yet only military purposes could justify the effort, the sacrifice and the expense.

The ruinous costs would spell finis to Germany's competitive position as an exporting nation.

Germany has now gone so far as to produce about 30 per cent of her gasoline requirements from domestic soft coal, with a new plant planned to raise the percentage to 85. This processed gasoline today costs about three times as much as the natural product. A small quantity of artificial rubber is being produced at a cost many times that of the best raw rubber. Very large appropriations for artificial cotton plant have been made; the stuff is made from wood fiber, and resembles a dull rayon. Electrical motors and generators are being made without a bit of copper in them, with aluminum as the substitute. No more plumbing fixtures of brass or copper may be used.

Rayon plants in particular have been largely increased, and attempts are being made to produce fabrics to cover all women's dress needs. Rayon for men's clothing has not proved such a happy solution although quite good-looking cloths made of a mixture of wool and rayon have been produced, neither the feel nor the wear seems satisfactory. It is doubtful if Germany will ever be really successful in the attempt to create substitutes, and Dr. Schacht, for one, counsels against rash and uneconomical efforts. Even in rayon, so common as scarcely any longer to be considered a substitute, the fundamental problem of adapting German beech and pine to the making of good rayon remains unsolved. The woods used for this have always come from Canada and Norway.

The stuffs made of German woods at first strongly resemble the better goods. After a few weeks' wear, however, they lose their gloss, become crumpled and poor looking. Their re-

action to wetting is unsatisfactory; the fibers rot and decompose and the fabric becomes hard. On top of all this, the price is 20 to 25 per cent above that of regular textiles. The situation at present is that while industries have to use a good proportion of substitute yarns (and experience difficulty and delay in getting them), and are compelling buyers to accept half their orders in *Ersatz* materials, only small quantities of these little-trusted goods have so far got out to the public.

For one thing, the public, or such sections as had money, had already hoarded up what they could of white goods, fine English suitings, soaps and other commodities. "Do these clothing hoarders," Goering's paper asked (and Goering, as every one knows, manfully bears the tedium of his one poor, frayed uniform!), "think that they will be able to walk through the streets later, clad in a suit of English woollens, when the rest of the nation has had to don substitutes?" Then there has been a period of saving and scrimping and anti-waste campaigns; housewives have been told that floors can be done just as well with half the wax, shoes with half the polish, clothes with half the soap. But taking it all in all, the public has so far really had to buy little in the way of substitutes.

Where has all the money come from for Hitler's work-making and rearmament? If Germany is as poor as is said, if all the sustained effort of last year's Winter relief only drew 337,000,000 marks out of the people, then where has Hitler found the money for labor camps, Black Shirts and Reichswehr, for Saar, Austrian and Memel propaganda, and for aircraft and armaments? There is, too, the 1,000,000 marks a day for the marriage loans, the 400,000,000 marks lent for house and factory repairs,

and the 222,000,000 marks snuffed up in Reichspost losses. Other costly and uneconomic undertakings are: artificial gasoline plant, 250,000,000 marks; artificial cotton plant, 250,000,000 marks, and a system of great new (military) roads, 3,600,000,000 marks.

All this has been done largely through anticipation of future income. The Reich has floated loans known as Work-Making Credits with the Reichsbank, the private banks and credit institutions; these amount at present to at least 3,250,000,000 marks, are renewable in three months, and are repayable over the years up to 1938. In addition, private industry has undertaken or had forced upon it a work-making program (Papen Plan) of 1,900,000,000 marks. The insurance companies have been called upon for 500,000,000 marks; dividends over 6 per cent have been made liable to confiscation, Reich paper being given in return.

The outside world helped also, involuntarily; since the transfer moratorium of June, 1934, German debtors have had, nevertheless, to continue to deposit their interest at the Reichsbank, receiving Reich paper for it. A public loan launched last Summer brought in only 70,000,000 marks in four weeks; no more have been tried since, but the government has reached the people's savings just the same, forcing a loan of 500,000,000 marks from the savings banks in January. The Winter Relief (which is indirectly relief for the government) has been run again.

Still, ever more funds are needed. The recovery appetite for 1934 was about 100,000,000 marks a week and increased tax receipts are bringing in only a quarter of this. So begins a new chapter; a huge conversion of 8,000,000,000 marks of mortgage bonds and 2,000,000,000 marks of gov-

ernment obligations—"voluntary," of course—reduces the interest rate from 6 to $4\frac{1}{2}$ per cent, and prepares the way for a large compulsory public loan; all available funds in Germany are to be mobilized. This looks like desperation, and indeed it is, for Hitler's resources are rapidly nearing exhaustion.

Is then an inflation probable? It is at least not inevitable. It has often been said that the Nazis have already produced a concealed inflation, but this is not properly true. Neither has the total volume of credit or currency increased; the Reich has simply stepped in and laid claim to every credit that private business left idle. Germany's internal floating debt has, it is true, been raised by the Nazis from 8,500,000,000 to 15,000,000,000 marks, but this could probably be managed, as Germany's debt is in any case low, compared with that of other big countries. But the German economic pump has not been primed, nor can it be as long as the export trade is caught between the upper and nether millstones of a government-fostered internal boom and a high-maintained value of the mark.

An honest devaluation could have been managed two years ago; strongly urged by the export interests, it was prevented by the pride of Schacht and Hitler. Undertaken now it would spell only utter failure to the people. The average man fears an inflation more than war, is almost panic-stricken at the thought of it, and believes that if the mark is once slipped from its moorings it cannot be held. Schacht is at a critical juncture. He must choose either to abandon the work-making schemes, thereby causing a large increase in unemployment, with its dangerous reaction on business and public feeling, or to undertake inflation of some sort. Or will he

try a middle way, with some inflation and some reduction of work-making?

Actually such reduction is under way. The high point of recovery was reached last Summer. Since then house repair loans have been steadily canceled, the textile industry has been put on short time, and wholesale and retail sales have fallen 14 per cent (January). In employment also the tide has turned; whereas in January, 1934, there was an increase of 286,000, in January, 1935, there was a decrease of 369,000. It is in making work that the Nazi government, like any other present-day government, must in the long run meet its fate. Its success in late 1933 and early 1934 in finding work for half of the 6,000,000 unemployed was one of the main reasons for the real enthusiasm for the régime at that time. Now the recovery funds have been largely spent, and it is known that no new projects will be undertaken this year. In this light, the pronouncement of Dr. Ley to the Labor Front that "not a single German worker will remain unemployed by next Christmas" appears only as a little play of bombast against fact.

One of the major battles of the Nazis has to be fought out in the worker's pantry. Prices have crept steadily upward during the past year and a half, especially since last Summer, while wages have been slightly reduced as a result of a general sharing of work. Vegetables are up 25 per cent, potatoes have ranged as much as 80 per cent higher, and dried split peas, a staple item in the budget of every German working-class family, are three times the 1934 price. Bread, butter and milk have risen slightly. Wheat sells at \$1.50 a bushel in Berlin, butter at 60 cents a pound and eggs at about 50 cents a dozen.

In contrast with such prices the

German worker, according to official figures, receives an average wage of \$9.50 a week, or about \$7.75 after all deductions have been made. For the unemployed, insurance benefits, originally set at 80 marks a month in 1927, have gradually been pared to 30 marks, or about \$12 a month. As it is, only 250,000 out of the 2,750,000 at present reported on relief receive insurance benefits; the remainder have been shifted to municipal welfare and emergency relief. It is true that more are working, but all earn less. With industrial production 50 per cent above the low of 1932, the total workers' wage bill rose from 6,500,000,000 to only 7,600,000,000 marks.

A Price Commissioner has been appointed. He is doing his best to keep prices down, and will probably reduce agricultural prices, calling on the farmers to "share in the national sacrifice." But he has no power to get at the root of the trouble. Prices are going up as a result of the government-fostered internal boom, the shortage of raw materials, the foreshadowed shortage of good textiles and many other necessities, and because in general production is more hampered and more expensive. Food prices are high because of extreme protection for home grain, dairy produce and fodder. The resources of the nation are being squandered on unproductive armaments, and the Price Commissioner is not empowered to halt that.

The German people have rallied to Hitler for providing leadership and restoring authority in a time of political chaos, for unifying the Reich, for putting millions to work, for refurbishing Germany's "honor" and awakening a new belief in the country and the future. For these things they have sacrificed much, and perhaps they will tighten their belts further and make

still more sacrifices beyond all reasonable expectation. Perhaps they might even face an inflation, although it has always been said, and is apparently believed by Hitler himself, that it would mean the end of the régime.

It is difficult to see how Hitler can solve the problem and re-establish the country, peacefully. Too many Germans are cramped into too small a space. For sixty years an increasing population has been supported by growing industry. Between 10,000,000 and 12,000,000 Germans depend on the export trade for a livelihood. Not only must the export trade continue to sink under the Hitler-Schacht régime on account of things like rising costs of production and lowered quality, but viewed largely the good old days of the export business appear gone, at least in this generation. Industries established throughout the world, often artificially fostered behind national barriers, have strangled it. Germany is no longer the workshop of Central and Southeastern Europe any more than Europe is the workshop of the world.

Putting a couple of million people back on the land will help slightly, although the land seems worked to its poor limit supporting 22,000,000 today, as it supported 22,000,000 sixty years ago. Living standards will sink further. There have been three attempts to bring about German domination or recovery—the war, the inflation of 1922 and the Nazi revolution, and if the third fails, Germany may be overwhelmed by chaos. Still the productive equipment of the country is splendid, and the great technical ingenuity and organizing ability of the people and the surging vitality of the youth must in the long run put Germany on her feet again and perhaps once more make her predominant in Central Europe.

Lloyd George Resurgent

By P. W. WILSON*

DAVID LLOYD GEORGE may be a man with a political past, but how is it conceivable that he can be a man with a political future? To Americans, there is a certain unreality in the idea that a former Prime Minister who has been out of office for twelve years and has celebrated his seventy-second birthday should be trying to stage a come-back. If ever there were a case of a statesman on the shelf, it would seem to be Lloyd George, and yet he has opened a campaign that questions the whole recovery program of the present British Government.

Over Lloyd George's plans, in so far as he has any, all parties are in various minds. Neville Chamberlain, as Chancellor of the Exchequer, is frankly hostile, and Lloyd George has written to indicate that the aversion is mutual. The first reaction of the government was thus to ignore the crusade.

Public opinion did not support that negative attitude, and Prime Minister MacDonald has invited Lloyd George to submit his proposals to the Cabinet for examination. Lloyd George has welcomed this calling of his bluff, as some regard it, and he has promised to translate his speeches into a concrete policy.

These are days when the world moves rapidly. All the leading contemporaries of David Lloyd George, as they were regarded, have passed out of the picture—Balfour who curi-

ously loved him, Haldane to whom he was a phenomenon that Hegel alone could have explained, Grey who held him at arm's length, Asquith who, despite himself, was fascinated, even juniors like Birkenhead and Masterman. So with the Big Four at Versailles. Woodrow Wilson and Clemenceau—they seem to have belonged to a former era; and Orlando has vanished into oblivion. Since the citadel of Lloyd George's omnipotence collapsed in 1922, Great Britain has had three Prime Ministers, Bonar Law, Baldwin and MacDonald.

Lloyd George himself has behaved, at times, in a valedictory manner. Hinting that even supermen must live, he is a contributor to the Hearst press. Up before breakfast, he has worked at one volume after another of his reminiscences. At Churt in Surrey he has been developing an estate of 600 acres where he is to be seen by the camera men as a kind of Squire Cincinnatus, rubicund, radiant, venerable, and when children visit him he plays the part of a jovial grandfather. Here is the man who, obviously, has done his bit and left his major cares behind.

If, then, he shoulders once more the labors of initiative, he would wish it to be understood that, in saving the nation, he is only acting under an imperative sense of obligation. And the British, as they listen to his speeches, are prepared still to find him useful. They are not wholly at ease over their situation. The immediate wave of prosperity stimulated by the change from

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free trade to protection has spent itself. Once more there is talk of an economic "emergency," and so Lloyd George's characteristic idea of having a small "war cabinet" to deal with it strikes the imagination. Why not bring him into the national government and so dish a resurgent Labor party? All kinds of people—Samuel and Simon for the Liberals, Austen Chamberlain and the *London Times* for the Conservatives—have uttered words of welcome to the wanderer. After all, in the event of an election, the name of Lloyd George might do the trick.

What Lloyd George proposes is comparatively simple. He sees that labor is unemployed. Also he sees that in the banks there has accumulated a large reserve of unemployed capital. He considers that this capital should be used for projects of every kind—housing, roads and so on—in which unemployed labor would be absorbed. There are those who regard this policy as identical in essentials with the policy of President Roosevelt and it explains Lloyd George's attack on the Bank of England as the agent of the City of London rather than of industry.

There is also heard the argument that the internal development of a country already developed will never meet the whole situation, that Great Britain must have foreign trade. Now that tariffs are in force Lloyd George thus declares for using them as weapons with which to promote a reduction in tariffs all round, and there is one allusion in his speeches that concerns the United States. In 1911 he hinted at a famous bankers' dinner that Germany had gone far enough in Morocco. He now hints that Japan has gone far enough in China. That is indeed a plain hint.

For many years before the war, I

knew Lloyd George as intimately as any man knew him. I saw him whenever I wanted to and received many of his confidences. I know something also of Great Britain and the changes that have transformed that country. I cannot quite admit that the latest enterprise of the "little Welsh wizard" is to be dismissed as the forlorn, indeed the frivolous, hope of an old man in a hurry. That is all it may prove to be. But we have to bear in mind British tradition and the subtle working of the British Constitution.

There were days when the British, like other nations, cut off the heads of their superfluous statesmen and so safeguarded the unity of the nation. Today the argument is that, if the occasion should arise, a statesman once trusted cannot be unworthy of further trust. A Prime Minister on leaving office is not held to be superseded. He joins the political reserves and is at hand whenever necessity may arise. That has been the position in recent years of David Lloyd George. He may not have presided over a Cabinet, but he has attended and spoken in the House of Commons. He is still a member of the Privy Council and as such enjoys certain privileges and contacts with the management of public affairs.

The comeback of elder statesmen is a British idiosyncrasy. Gladstone at 65 was swept out of office by Disraeli, but at the age of 71 he carried through and won his famous Midlothian campaign and, despite the Queen's opposition, was Prime Minister three times, retiring from office at the age of 85. Under the spell of Gladstone's octogenarian crusade for Irish home rule Lloyd George, then aged 27, entered the House of Commons in 1890. For days and nights of forensic excitement now unbelievable—the last great display of classic Parliamentary

debate—this impressionable young Celt listened to the Grand Old Man eloquent. Is it any wonder that Lloyd George, himself an old man eloquent, wonders whether in his turn he may not be able to bend the bow of Ulysses?

There are those with whom it is impossible to discuss Lloyd George. They treat him as a trickster and his career as trickery; any one who refuses to accept this appraisal is labeled as a Lloyd George man. I do not plead guilty to any such label. What matters, after all, is fact.

For seventeen years of peace and war Lloyd George sat continuously in a British Cabinet. By general admission, he was never other than an impelling, if not a compelling, influence. For six years he was Prime Minister. During his long period in the Cabinet there were four general elections, in all of which the government to which he belonged was supported by a majority. That is a record which deserves an explanation more serious than a smile or a sneer. The record is history.

The theory that along with the ninety-and-nine in the Liberal fold, Lloyd George was the one lost sheep on the somewhat deceptive Welsh mountains is now obsolete. Where are the ninety-and-nine? Runciman, stern unbending Cobdenite as he used to be, is a pillar of protection. So, too, Sir John Simon, who formerly was quite too orthodox to associate with Lloyd George. There is Reginald McKenna, now a leading banker and a convert to tariffs. The late Lord Melchett, protagonist of free trade, uttered recantations. Even Sir Herbert Samuel joined and supported a government that abandoned the principles of Peel and Gladstone. These are inconsistencies amid which the record of Lloyd George seems at times to have been straightforward. He has turned his full share of political somersaults,

but not usually as a public performer.

Those who see Lloyd George only at a distance think of him inevitably as a superman of the war. That is a misreading of his character and his career. Of Lloyd George, as of Smuts, Woodrow Wilson and Asquith, it can be said that the war was no fulfillment of destiny. It was a tragic frustration. Lloyd George, so far from conquering, was a casualty and today the essential man has emerged from the poison gas.

Over the war Lloyd George has been fiercely attacked. Was he not the traitor in the camp who betrayed Asquith to the Northcliffe press? Was he not the civilian who made a mess of it by interfering with the generals and admirals? He has refused to take it lying down. Not that he is greatly concerned with the judgment of posterity. What does matter to him is his immediate and negotiable prestige.

His reminiscences* are to be read, therefore, as an apologia for an interlude. One story, it may be said, is good until another story is told. In this case, it is the other story that Lloyd George is telling. On the platform, he is apt to be a rhetorician. In this writing, at any rate, he has left nothing to chance. As a marksman, he has selected the most vulnerable targets and his aim is careful. Every phrase is intended to create its impression. Every fact is selected and verified.

The conclusion is suggested that, in a supreme emergency for which he was not responsible, here was a man who kept his head, who was incapable of anything approaching error, who knew what was the thing to do even if others, less discerning, made it difficult for him to do it. Of Grey's di-

* *War Memoirs of Lloyd George*. Boston: Little, Brown & Co.

plomacy, he indicates the opinion that he has more forcefully expressed in conversation. He seeks to show how obstinate were Kitchener and the War Office over high explosive shells. His account of his initiation at the Ministry of Munitions—technocratic in its statistics—reads like an epic of mass production. He exposes the hostility of the Admiralty to the convoy system. The spectacle of a British Army ordered by Haig to advance across a Balaclava of impassable mud at Passchendaele is presented to veterans of the war with ruthless scorn and, at the moment—for Lloyd George, the psychological moment—there is no rebuttal; Haig's biography has yet to be completed.

In his constructive crusade, Lloyd George faces fearful odds. At the general election in 1931, the Conservatives won 471 out of 615 seats, often by enormous majorities. The Conservative majority over all parties thus exceeds 300 on a vote of confidence. Led by Stanley Baldwin, who is today Prime Minister in all but name, the Conservatives are the real party in power. Despite die-hard activities over India, stirred up by Lord Lloyd and Winston Churchill, the Conservative forces retain their solidarity. Up to December, 1934, the party had lost only eight by-elections.

To the Conservatives there have to be added thirteen National Labor members led by Ramsay MacDonald as Prime Minister and by J. H. Thomas, who is Secretary for the Dominions. There are also the Liberals. That party, once so predominant, is reduced to 72, all of whom retain the name. But there are three not very clearly defined groups. The first, led by Sir John Simon, openly supports and indeed holds office in the government; the second, led by Sir Herbert Samuel, has, under out-

side pressure, crossed the floor of the House and sits in Opposition; the third group shares a family umbrella. The most united of British parties consists in the main of Miss Megan Lloyd George and Major Gwilym Lloyd George, both members of Parliament. It is led by David Lloyd George, who controls what is left of the famous war chest that was filled to overflowing in the great days of his dictatorship and who is advised, as in former days, by a brain trust of social experts.

What we are witnessing is thus a strictly personal campaign and, in British politics, this is by no means a novelty. There have been several campaigns of this kind conducted by statesmen of the highest rank. In each case, the statesman—and this should be particularly noted—attached himself to a cause that was clear, definite and appealing to public opinion. In the Eighties, Gladstone was single-handed in his crusade against the Bulgarian atrocities. Thirty years ago, Joseph Chamberlain, for whose political genius Lloyd George has always entertained the highest respect, appealed for tariffs.

Lloyd George announces that he also is champion of a cause. It is for the sake of the cause, so he insists, not for personal reasons, that he is entering the field, and the question is not whether, in denying that Caesar is ambitious, he is sincere. The question is whether his cause is or is not a challenge.

Before the war there were specific grievances in Great Britain to be remedied. The Nonconformists complained that they did not enjoy religious equality in the schools. The Welsh wanted disestablishment. The women clamored for the vote. Ireland demanded home rule. The whole of those grievances—the main part

of the old Liberal program—now belongs to the past, and discontent has assumed a new, a more formidable guise. It is social and economic. The cause may be summed up in the single phrase, standard of living.

Before the war the economic question was comparatively simple. There was no doubt that the country was prosperous and steadily accumulating resources. It was only the distribution of profits that troubled the orators, and distribution could be adjusted by a graduated income tax and what Great Britain calls death duties on inheritances. An alleged privilege, particularly resented, was the law safeguarding the ownership of land. It was to rectify these inequalities that Lloyd George introduced in 1909 his "People's Budget," and defended it in those speeches which came to be described as "Limehouse." Reading those speeches in cold blood, we see that they were not nearly so inflammatory as the orations with which Joseph Chamberlain in the early Eighties expounded his somewhat similar "unauthorized program." Even at Limehouse, Lloyd George did not tell the peers that they "neither toil nor spin."

Twenty-five years ago, the obstacle in the way of progress was the House of Lords, but after two elections, the veto of the peers was restricted by the Parliament Act. Since that day the British aristocracy has been dragooned by events more terrible than any Limehouse speech. There is taxation that far exceeds anything proposed or imagined in 1910. Houses and pictures have been sold. Estates have been broken up. It cannot be said that wealth is not paying its share. Wealth is paying to the limit.

What the nation has to face is not the distribution of wealth but wheth-

er there is enough wealth to go round, and here we may recall the proverb that one-half of the world does not know how the other half lives. It is entirely possible to present a picture of prosperous England. On the whole, the South of England, especially London, is prosperous, for which condition there is a reason. Great Britain has adopted high tariffs, and at first a tariff stimulates production for the home market.

But there are what have been described as "black spots," especially in the North. Four major sources of national income—coal, iron, cotton and shipping—have been subjected to prolonged depression, and the aggregate losses have been stupendous. A multiplying nation, amid discouragement of emigration, has to subsist on a heritage, heavily mortgaged, in which normal expansion is retarded. Priestley, the novelist, offers in *English Journey* a somber panorama of what is meant by the struggle for a standard of decency and comfort.

There is no doubt as to the depth of social discontent. Municipal elections are no safe guide for prognosticating national politics, but the fact remains that Labor, at the last municipal election, swept the board and is today governing London. No less significant are the fascism of Sir Oswald Mosley and the uprising of other groups, especially within the ranks of Labor.

The difficulty of Lloyd George is that he has no party. The difficulty of Labor is leadership. It is not easy to exaggerate the staggering blow to the confidence of the rank and file of the workers—indeed, to the sincerities of public life—that was dealt by MacDonald, Snowden and Thomas when they joined the Conservatives and Liberals in a national government. Snowden has escaped from the

entanglement and finds revenge for his fate in bitter speech. Yet he is a peer, and while he lives cannot be anything else. MacDonald, so it is thought, clings to a government that could get on without him and, justly or unjustly, he is regarded in many quarters as the arch-traitor. Henderson and George Lansbury are respected. But they are less vigorous than they used to be and, in any event, Lansbury is not built of Prime Ministerial timber.

Labor is not without men of ability—among them Morrison of the London County Council and Hugh Dalton. But their record is comparatively unknown, and even in these days of fickle fortune it may not be easy to carry the country, whenever the test of a general election comes, on the strength of these names. Whatever may be the disclaimers on all sides, Lloyd George is an asset in the kaleidoscope. This does not mean of necessity that he would insist on serving in the Cabinet. He is quite sincere in saying, as he always has said, that particular offices do not interest him. Let who will choose the Bishops! He would play his part in any capacity that provides what Roosevelt defines as an opportunity for "action."

It was said of another David than Lloyd George that he organized his headquarters in the Cave of Adullam, where the discontented made him a captain over them. Lloyd George is what, in the political jargon of the Victorian Era, is known as an Adullamite, and the unattached are invited to join him. Churchill, who has been twice a Conservative and once a Liberal, is said to be considering a new orientation. Even Mosley is on the watch. Snowden is openly sympathetic. Such recruiting, if it were to continue, would suggest that a vic-

torious Lloyd George would again be found in a national government, as composite as the present government, but inclining to the Left, not the Right.

The issue does not depend on parties. The vote cast in immense constituencies would be of the nature of a plebiscite, but it is impossible to predict how mass opinion might swing. Certain men in the limelight—of whom Lloyd George is the most picturesque—will appeal to the democracy. The deciding instinct will be opportunist. Would Lloyd George be able to persuade the nation that he can make a better job than the government of national reconstruction?

In a measure the government is doing what he wants to see done. The real monument to his fame is social insurance—a policy that affects the entire body of the people—and social insurance has been extended and reorganized on lines that are likely to be permanent. The housing program may not be adequate, but there is a program. So with electric supply. So with control of agriculture.

Immense multitudes are eager to listen to Lloyd George. A sensational press is not ungrateful to him for thirty years of headlines. But as Gladstone discovered, public meetings are no barometer of electoral results. The people who stay away are the people who give the answer, and among those people Stanley Baldwin has won a special place as a safe and a disinterested man. If, however, Lloyd George and Stanley Baldwin join hands, it may be quite another story. Nor must it be forgotten that, in such situations, there is King George, not wholly quiescent, from day to day, in Buckingham Palace. The King's government must be carried on—the stronger the better.

Decline in the Cotton Kingdom

I—The Planters' Prospects

By WAYNE GARD*

WHETHER cotton growers in the South return to the stale hominy of the Hoover era or retain the happier diet attained during the last two seasons will depend on the outcome of several new situations that have arisen to plague them. Some observers will not be surprised if the next decade brings to King Cotton's domain agricultural and social changes as profound as those which followed the Civil War.

In the first place, cotton, the one major American crop which thus far has resisted mechanization, is now confronted with mechanical pickers which threaten to displace much of the hand labor used since the earliest days. Such mechanization would reduce the cost of producing cotton and thus enable the United States to compete more advantageously with those foreign nations which, for some time at least, might cling to hand labor.

An additional result might be the further westward shift of the American cotton belt. Texas already has become the leading cotton State, producing a third of the nation's crop; and New Mexico, Arizona and Southern California have begun growing a fine quality of long-staple cotton. Mechanization appears likely to make its most rapid progress in the Southwest, where the relatively flat land is favor-

able to the use of tractors and where labor is scarce.

Another development, even more disturbing to the equanimity of Southern farmers, is the threat of new cotton substitutes. In addition to rayon, which competes with cotton as well as with silk, several new synthetic fibers have been developed by European scientists from cellulose made of wood pulp. The new fibers have the advantage of being of more uniform length than ordinary cotton fibers, and they are adapted to cotton-spinning machinery now in use.

Samples of the new textiles, already examined in this country, have caused considerable uneasiness. One, produced by textile mills in Milan, has been declared capable of replacing 80 per cent of Italy's cotton consumption. From Germany have come several new types; *vistra* can be made to look like either cotton or silk, while *woolstra* is as warm as ordinary woolen cloth and only half as heavy. The cost of manufacturing these new synthetic products is still slightly greater than of those textiles for which they are intended as substitutes, but quantity production may make their manufacture practicable before long. Meanwhile, Germany is rapidly increasing her production of rayon as a means of freeing herself from the necessity of importing cotton; and jute and other fibers are being used extensively, even in the United States.

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The large-scale manufacture of cheap cotton substitutes could hardly avoid bringing disaster to the cotton belt of the United States. Mechanized farming might soften the blow by reducing the cost of producing cotton, but thousands of acres of cotton land now considered profitable would become submarginal almost overnight. In the Southeastern States much of the poorer cotton land would probably be planted in trees for the production of paper and of synthetic cloth, and rural population would dwindle. The westward shift of the cotton belt would be facilitated, since the Southwestern States cannot grow forests and already, by partial mechanization, are growing cotton more cheaply than it is produced in the older States to the east.

Of more immediate concern than the problems of mechanization and of cotton substitutes, however, is that which has to do with acreage control and cotton exports. A more permanent cotton policy must be adopted soon; and, if acreage control is retained, attempts must be made to cope with the rapidly expanding cotton production in Brazil and elsewhere. Opponents of the present policy of production control maintain that the foreign market for American cotton is being permanently sacrificed for the sake of temporary relief to the growers.

This question is a pertinent one, since the present control measures extend only through the 1935 crop season. The present Congress will have the responsibility of retaining or dropping the policy of control now in effect. The December referendum of Southern farmers on the continued operation of the Bankhead Act did not by any means settle the controversy, though it did reveal unmistakably the farmers' attitude.

Long regarded as deep-dyed individualists, the cotton growers had been represented as opposed to the regimentation of the Bankhead Act. Their ballots showed that, far from being resentful, they have embraced enthusiastically the principle of agricultural planning. They have concluded from their recent experience that, in farming as in manufacturing, prices can be kept up by restricting production to market demands.

Of course, the administration's promise that two-bale farmers would be exempted from an inequitable provision of the Bankhead measure helped to make the approval overwhelming. Yet the 600,000 small planters, some of them pinched by the tax on excess production, constitute less than 30 per cent of the total, and their output amounts to only one-tenth of the crop.

The December nine-to-one vote indicated that dollars talk louder than traditions. The cotton growers not only have been receiving prices more than twice as high as those which prevailed in the season before the gold standard was abandoned and acreage control was undertaken but, in addition, have received checks from the Federal Government for the cotton they did not grow. Agricultural Adjustment Administration payments to cotton farmers in 1933 and the first ten months of 1934 totaled \$166,786,380. This money came from the consumers of American cotton goods by way of a processing tax of 4.2 cents a pound on such goods, collected from the manufacturer.

Southern farmers have benefited further by being able to use their retired cotton land in producing grain, roughage and vegetables to be consumed on the farm. Thus the Bankhead Act has succeeded in bringing about a measure of the crop diversi-

fication which agricultural economists have been preaching for generations.

From the cotton fields, almost the only adverse criticism of the acreage-limitation program is that its benefits have not gravitated sufficiently to the share-croppers and other tenants, who constitute the bulk of the actual cultivators and who live under conditions closely approaching peonage. Often the landlord has retained a lion's share of the rental check which came from the government for retired cotton land. Nevertheless, the share-cropper has gained from higher prices, and steps are being taken to protect his interests in future acreage-reduction contracts.

Ideas of diversification and crop control in the interest of higher cotton prices did not descend upon the South from a clear sky with the advent of the New Deal. As long ago as 1868 people were discussing "the dethronement of King Cotton" as a matter for congratulation; and in 1891 eight-cent cotton led to the advocacy of a plan to reduce acreage by charging a license fee of \$1.50 an acre for the privilege of planting the crop. In 1905, under the leadership of the Southern Cotton Association, a 14 per cent reduction was effected through voluntary agreements, resulting in an increase of 2 cents per pound for that year's crop.

The roulette-wheel method of production regained its dominance, however, and the 1931 plea of President Hoover's Farm Board for "immediate plowing under of every third row of cotton now growing" fell on deaf ears. Only the existence of a national emergency led to compliance in the plow-up campaign of 1933.

The main opposition to the Bankhead Act comes neither from farmers nor from consumers of cotton goods but from middlemen—from ginners,

shippers, compress owners, railroad executives, brokers and exporters. Middlemen profit on the volume of cotton rather than on its price. When production outruns market demand they are not pinched by lower prices as are the farmers. In fact, they gain from the excess, since they refuse to lower the rates charged for their services. On the other hand, they do suffer loss of income when the volume of cotton is curtailed.

These groups serving the cotton industry have made heavy investments, and some of them are large employers. Obviously, their welfare cannot justly be overlooked. It must be recognized, however, that on the issue of crop control their interests conflict directly with those of the growers. Any effective method of relieving the cotton farmers from their burden of overproduction is almost bound to hurt the middlemen.

Yet, in the case of the railroads, the loss of cotton freight in 1934 was more than equalized by the gain in other Southern business. The government's cotton program so greatly increased consumers' buying power that—despite the cotton loss and the worst drought in half a century—nearly all the Southern roads had greatly increased operating revenue over 1933. Yet many railroad executives failed to see the situation as a whole and cast their lot with that of the processors and brokers.

Acting from a natural self-interest, middlemen groups are marshaling every available argument in their fight against the administration's policy of cotton control. They oppose the loan of 12 cents a pound which the government has been making to growers, contending that this domestic stabilization disrupts world price relationships and makes it difficult for foreign spinners to buy American cotton. They

maintain that this pegging policy, together with the curtailment of the American crop, will bring increased production in other lands and permanent loss of this country's foreign markets, which in earlier years have bought more than half of our lint.

Opponents of cotton control point out that in the year ended July 31, 1934, sales of American cotton in world markets fell off 632,000 bales, or nearly 5 per cent, while sales of other cotton increased 1,373,000 bales. With reference to the current crop, they call attention to a drop of 43 per cent in bales, or 25 per cent in dollars, in our cotton exports for the first five months of the 1934-35 shipping season. Further, they cite estimates indicating that the aggregate foreign cotton crop is the largest in history and that in 1934 the United States produced only 42 per cent of the world total, compared with a pre-depression normal of 60 per cent.

Taken alone these figures appear to give strong support to the contention that King Cotton is rapidly bleeding to death. But this alarmist view constitutes only one side of the cotton picture. America's loss in cotton exports cannot fairly be attributed to emergency measures taken by the Roosevelt administration; much of the loss came before the present policies were adopted. Foreign countries have increased their cotton production steadily for more than forty years, regardless of the large American crop. By 1930 these countries had expanded their cotton acreage to half the world total. In 1933, before cotton control was undertaken here, we increased our planting by 5,000,000 acres and other lands increased theirs by 4,000,000 acres. Even when the price was as low as 5½ cents our exports were diminishing.

While it is true that government

loans to farmers on their cotton have tended recently to keep American prices slightly above world prices and thus discourage foreign buying of our cotton, the major export loss must be attributed to factors which arose before these loans were made and before acreage reduction was undertaken. In addition to the gradual increase of cotton acreage in other lands—spurred in some countries by political as well as economic considerations and in Brazil by the crippling of the coffee industry—conditions injurious to United States cotton exports include the effect of world-wide business depressions in lowering market demands and the unwillingness of Americans to accept goods from other countries in return for exports. Our tariff barriers, with the resultant dwindling of our imports, have made it difficult for potential buyers to obtain American exchange with which to buy our cotton.

The danger of increasing foreign competition seems to have been overestimated. In Egypt further expansion in cotton acreage is reported unlikely because the remaining productive land must be used in growing food. Any large and permanent expansion would require costly irrigation and drainage projects which could not be completed in less than two decades and which have not been undertaken. The need of land for food crops also operates as a check on cotton expansion by India, China and other countries. Russia's cotton acreage has been increasing only slowly, and the increase has been fully matched by that nation's enlarged cotton consumption. Imperial efforts to spur cotton production in new fields in the British Empire have not succeeded to an extent sufficient to threaten the American industry.

Brazil presents the only serious

danger of greatly increased competition in the world cotton market. Brazil's land area suitable for cotton is larger than that of the United States, and in the last decade her production has increased in rapid leaps. Lately, she has imported shiploads of Texas-made ginning machinery and has built railroad spurs into new cotton areas. On the other hand, Brazil is thinly settled and lacks adequate labor supply for continuous rapid expansion in cotton acreage. Immediate further expansion is discouraged also by an infestation of the pink boll worm and by the necessity of clearing dense hardwood forests. The recent cotton boom in Brazil has been largely a reaction to the slump in coffee; the return of a more favorable coffee market may serve as a check upon cotton expansion there.

The real danger to the future of America's cotton exports arises not so much from the present emergency measures of crop control and domestic price stabilization as from the possibility that foreign consuming power will be slow in reviving, from political obstacles to lowering American tariffs which hamper all our exports, and from the development of cheap cotton substitutes.

As for quantity output of cotton, America's potential production has not decreased. Not only is our carryover still abnormally high but, if higher world prices were in prospect, the Southern cotton crop could be greatly increased in a single season. Meanwhile, American cotton growers see no benefit in their reverting to the production of export cotton at prices that fail to pay the cost of production.

The Bankhead Act is, of course, a temporary measure, its operation being restricted to two seasons. Secretary Wallace and his advisers in the

Department of Agriculture have not lost sight of the normally valuable stake of the United States in the world cotton market. An increased American output is contemplated for 1935—a 25 per cent reduction in base acreage in place of the 40 per cent cut of 1934—and there is no doubt that subsequent programs will allow further increases as this country's carryover is reduced and as the foreign demand becomes more active. Meanwhile, diplomatic feelers are being sent out to obtain reactions on a proposed international agreement on cotton exports, which might embrace Brazil, Egypt and India, as well as the United States.

Today, domestic prices benefit both from dollar devaluation and from crop reduction. Some growers are able for the first time in years to buy shoes for their children and to make payments on their debts. One heretical Texas ginner declared recently that the Bankhead program enabled him to collect debts which he would not have dared to mention a year earlier. This cotton relief has been achieved without placing a heavy burden upon consumers. The processing tax adds only 3½ cents to the price of a cheap cotton shirt, compared with a tariff of 23 cents.

Opponents of acreage restriction have urged an alternative plan under which cotton output would be unlimited and the grower would be paid a cash bonus on that part of his crop used domestically. The farmers, however, do not appear likely to be swayed from adherence to the principle of crop control. They also believe the processing tax has as much justification as the high tariffs under which they have suffered for decades. They know that foreigners cannot buy American cotton as long as we retain

tariff walls to keep foreign goods out of this country. As an example of what a general tariff reduction might do, they point to Japan; because she is able to sell us 91 per cent of her silk exports, Japan has become our best cotton customer, increasing her purchases here while other countries have been reducing theirs.

If a general tariff reduction or an international export pact could be ob-

tained, American cotton growers might be willing to keep crop restriction without the cash payments they now receive from the processing tax. But the average Southern farmer does not pretend to be either an international economist or a prophet. At the moment, he is happily grinning at the wailing middleman who habitually has lived in luxury derived from the planter's toil.

II—Victims of Change

By NORMAN THOMAS*

PROSPERITY, according to our more or less professional optimists, has returned to the South. Cotton has gone up since the black year of 1932 from 4½ cents to 12 cents a pound. To this great increase in price must be added some \$160,000,000 of rental and benefit payments for cotton land plowed up in 1933 and not planted in 1934. No wonder automobile sales in the rural South have had the highest ratio in the country! No wonder that the farmers have voted 9 to 1 for a continuance of the subsidized reduction in acreage from which such blessings flow!

Yet for almost the first time since the Eighteen Sixties cotton production in foreign countries has passed that in the United States. Roughly, the 1934-1935 figures stand 13,500,000 bales to 9,500,000 bales. There has also been a drop in cotton exports during the past year, a drop so sharp as to produce something like consternation in trade and government circles. A large

army of unknown size has been driven off the cotton lands to swell the legions of the unemployed in towns and cities, or it has been driven into the deeper misery of casual day labor on the land. One cause of the plantation owner's prosperity is the fact that the government, not content with subsidizing cotton reduction for him, now keeps his former tenants from inconveniently starving in his fields. Over the scene hovers the shadow of a successful cotton-picking machine, invented by the Rust brothers and already manufactured on a small scale by the Southern Harvester Company in Memphis, Tenn.

What does all this mean? This at least, that the partial and temporary prosperity bestowed on the cotton country by the AAA, with the aid of the drought, has solved nothing. It has been a contributing factor in the loss of the export market for cotton, while it and its kindred agencies under the New Deal have not increased the domestic demand for cotton. It has accentuated some of the worst features of the plantation system; it has taken risk and responsibility off the shoulders of the landlord, increased

*The author of this article was the Socialist candidate for President in 1932. His most recent book on American life is *Human Exploitation in the United States* (Frederick A. Stokes, \$2.75).

his reward and made out of thousands of miserable share-croppers more miserable beggars who may envy the foxes their holes in the earth. In return it has set up no adequate controls for the picking machine which soon will make hundreds of thousands of workers superfluous.

Cotton is a crop that has been over-produced, not, to be sure, in terms of human need but in terms of human capacity to pay, especially in years of depression. Since the Civil War its prices have fluctuated wildly. It was, however, settling down to a starvation level when the AAA was born.

If the AAA had been able to start on the basis of a genuine acceptance of an economy of abundance, it would not have assumed that there was too much cotton. It would have taken notice of the fact that the entire per capita consumption in the United States of finished cotton cloth for apparel and domestic purposes is only a little over nine pounds. That, as I have pointed out on many occasions, is a ridiculously inadequate amount to meet the needs of men, women and children for underclothing, dresses, shirts, overalls, towels, rugs, hangings and what we euphemistically call bed linen and table linen. In general this small use of finished cotton cloth is not due to the ability of Americans to use some better substitute—wool, silk, rayon or linen; it is due to the fact that the children of those who raise cotton and who make it into cloth have no underclothes.

But the AAA did not know how to raise prices for the cotton farmer except by making cotton scarce. This was the way in which merchants and manufacturers had always proceeded. Now the power of the government was put behind the farmers to enable them to copy a time-honored method.

While the AAA, plus the drought,

was raising cotton prices and bestowing cash benefits upon cotton farmers, especially the landowners, other things were happening, partly as the result of the cotton restriction program. One of those things, which we have already mentioned, is the immense increase of cotton production outside the United States. This increase would probably have occurred in any case, although at a slower rate, for the prevalent economic nationalism would inevitably have caused all countries which can produce cotton to stimulate its production. Nevertheless, a plan that has raised the price of cotton generally, without discrimination between the foreign and domestic market, has greatly accelerated the process by which we are losing an export market that heretofore has taken 50 per cent or more of our cotton. If we must rapidly reduce cotton production to the level of home demand, and of home demand expressed only in terms of capacity to pay, we shall have to plan for taking care of millions of human beings cut adrift from the poor economic anchorage which they had.

To this situation, Oliver Carlson tells us, must be added a factor to which I have already referred, a factor of revolutionary significance. This is the development of a cotton-picking machine that is not unwieldy to operate nor enormously expensive to produce. It can be attached to a tractor and will add value to a tractor for all-year-round work. The casual laborers, mostly Negroes, drawn from towns and cities at cotton-picking time, will have lost even this poor source of income. The whole system of twenty or thirty-acre holdings, operated by tenants of one sort or another, becomes economically absurd with the advent of successful mechanization.

Today on irrigated lands in New Mexico, California and Arizona some of our best cotton is produced. More would be produced there except for the scarcity of labor at picking time. With the machine to do this job, nothing except the imposition of artificial quotas can prevent an immense reduction of cotton acreage in the old South. On the other hand, the coming of the machine and the elimination of hand labor may make it possible for America to produce cotton profitably again at a price that can compete with foreign cotton. In that way our export markets might be recovered.

Meanwhile, not tomorrow but today, we are faced by a serious and tragic displacement of workers. In any long run it is obviously impossible to reduce cotton acreage by 40 per cent, as the AAA has planned, and at the same time keep on the job the number of families now engaged in cotton cultivation. The highest officials in the Department of Agriculture, however, have seen the danger of the displacement of these families and have tried to do something for them, not anything like as much as they have done for the plantation owners, but something.

To understand the situation fully, we must look at the plantation system and its result in terms of human values. Throughout the vast area where cotton is grown the spirit of slavery persists. The plantation owner is still able to use race prejudice to strengthen his hold over white and colored tenants. About many of the peasant holdings of Europe and even around the mountain cabins of our own South there is often something to suggest the beauty and dignity of life and human relationships. This is completely lacking in the cotton country. The houses of the share-croppers and day laborers, white as well

as colored, are shacks and hovels with no more grace or beauty than a packing box and scarcely more comfort or convenience. They stand on patches of dirt in dreary fields. A miserable diet nourishes pellagra, not men.

Centuries of human aspiration and cultural achievement have no meaning for these poor folk in a region with the lowest per capita income in the United States. Racial prejudice requires separate schools and separate churches. Communities that could scarcely afford to maintain one decent school or church are forced to maintain two—more in the case of churches because of denominational differences. The high percentage of illiteracy is easily understandable.

Cotton cultivation is dreary, monotonous and back-breaking. Those who follow it have, however, certain months of idleness, or comparative idleness. Yet they have neither the individual nor the community resources for enriching leisure. Life affords few escapes from drudgery or boredom except highly emotional evangelism, liquor and sex. Crimes of violence abound, the homicide rate is high and the cotton country furnishes a wholly disproportionate share of those lynchings which are our national shame and ignominy.

Behind all this are stern economic facts. The money income from cotton varies from \$10 to \$60 an acre, of which the plantation owner gets the lion's share. The income from a bale of cotton runs from \$25 to \$200. Today cotton at 12 cents a pound brings \$60 a bale. It takes about a month for a picker to pick enough seed cotton to make a bale. A share-cropper and his family rarely handle more than 20 or 30 acres and, especially in the old South, it is remarkably good land that produces half a bale to an acre.

The average income for cotton tenants in Eastern Arkansas was \$260 in 1933; of this total \$50 was the estimated rental value of the huts in which the families lived. A church social survey of 112 Negro tenants in Alabama, made during 1931, showed that 50 tenants ended the year in debt to the planter, 20 had a yearly cash income ranging from \$1 to \$50, 40 between \$50 and \$100, and only 2 had between \$100 and \$150.

The eulogists of "white supremacy" may claim that this situation can be true only of the Negro. As a matter of fact, as Dr. Rupert B. Vance tells us, "there are over 1,091,000 white tenants in the South and 698,000 colored tenants." Negro tenants in the South actually decreased by some 2,000 during the decade of the Twenties, while white tenants increased by more than 200,000. Over half the Negro tenants are share-croppers who own nothing, who are "furnished," that is, they are carried through the year by the plantation owner and form the most depressed class of cotton workers except the casual day laborers. One-third of the white tenant farmers fall in the same class; the rest are either cash tenants or what are known as share-renting tenants, some of whom in turn farm out parts of their land to still poorer share-croppers.

There is a familiar argument that the landowner performs a social function because he assumes risks that the cotton tenants either cannot or will not assume. Dr. Vance has recently written: "This argument at present comes with a savor of unconscious irony from large landowners in the South. The truth of the matter is that the government has assumed most of the risks of the landowners and thrown them on the tenant. The risk of overproduction is met by fixed quotas with rent to the landowner

for his retired lands. These benefits take little, if any, account of labor's previous interest in the crop. The tenant's share of rental is pitifully small or nil, and on him is thrown the brunt of reduced acreage. The risk of price fluctuation is met by the government's policy of pegging prices by loans at, say, ten or twelve cents per pound on cotton. Through its Intermediate Production Credit Corporations the Farm Credit Administration offers the landowner production credit at $4\frac{1}{2}$ to $6\frac{1}{2}$ per cent interest. The tenant cannot secure this cheap credit unless the landlord waives his first lien on the crop. If he refuses to release the crop lien to the governmental agency, the landlord may then secure the loan for all his tenant farms at $4\frac{1}{2}$ to $6\frac{1}{2}$ per cent and then advance supplies and furnishings to his tenants at customary credit prices, 20 to 30 per cent above cash prices. Here again the tenant bears the brunt of the risk. If he can repay, his surplus is wiped out by extortionate credit charges; if he cannot repay, he loses his crop and whatever chattel and work stock he may possess."

This statement regarding the relative protection of landlord and tenant under the AAA program requires amplification at two points. The first concerns the nature of the protection given to the tenant with regard to occupancy of land under Section 7 of the contract which was supposedly drawn to protect both the share-cropper and the agricultural laborer. At least four clauses in this section give the unscrupulous landlord loopholes enough to get rid of any tenant he does not want because he regards him as either superfluous or as too likely to stand up for his rights. Since heretofore the contracts have been enforced by authorities representing

only the land-owning interest, it will be seen how hollow is the protection afforded the tenant and agricultural laborer under this contract.

It will also be remembered that a rather elaborate plan was worked out for giving to cotton growers a certain parity payment on cotton on hand, grown before 1934. With this payment went a payment to landlords for "rent" of the land on which the cotton was raised. On the basis of the contract provision for the division of this government benefit, the landlord wins against the share-cropper by a ratio of eight to one. The share-croppers, therefore, have called this parity payment a "poverty" payment.

Yet it is only fair to say that the Secretary of Agriculture has recognized the criticism of this parity payment and has promised that new contracts will be better. Here, however, fresh danger arises. Already plantation owners have taken advantage of almost every opportunity to substitute casual day labor for share-cropper labor. The temptation to do this will be increased as the share of the tenants is increased in benefit or parity payments.

The net result of all this is what one might expect. Unknown thousands have been driven from the cotton fields to join the tragic army of the unemployed in towns and cities. The *Dallas News* of Jan. 3, 1935, printed a long quotation from a statement by Dr. A. B. Cox, Director of the University of Texas Bureau of Business Research, the gist of which is that the cotton laborer has been greatly hurt by the policy and that the demand for seasonal workers has been reduced, with the result that a great many of them have been thrown on relief rolls. Professor William R. Amberson of Memphis, a loyal friend of the share-croppers, points out that

landlords have succeeded in reducing share-croppers to the status of day laborers who earn 75 cents for a thirteen-hour day and are allowed to exist in plantation shacks.

As an answer to this situation, the Southern Tenant Farmers Union came to being in Eastern Arkansas and Western Tennessee. It is an intelligent and courageous effort on the part of these forgotten men to organize for themselves. Its very existence is more significant than any reform that might be imposed from above. While in addition there should be political protests, it is not generally realized how difficult it is to vote in the South.

In many Southern States, on the plea of maintaining white supremacy, thousands upon thousands of the poorest whites along with Negroes have been disfranchised by poll taxes. It has become the fashion to talk about the "hillbilly" vote which is responsible for Southern statesmanship of the brand of Blease, Bilbo, Heflin or the great Huey Long. Yet Professor Mercer G. Evans writes that of all white persons eligible on the basis of age and citizenship to vote in the 1932 elections, only 24.1 per cent actually exercised the franchise in Alabama, 25.2 per cent in Georgia and 26.7 per cent in Mississippi, as compared with 58 per cent in Wisconsin. Either the masses cannot vote because of the poll tax or they are prevented by their frequent wanderings in search of job or home. Perhaps they have no great faith in voting.

This same analysis applies in principle to the vote taken by the Department of Agriculture on the compulsory reduction of cotton acreage. Those who had suffered most from that program were already out or on the way out of the picture. Those who remained had gained something temporarily by the government's policy

and the dominant plantation interests had gained a great deal.

It is this fact that gives such significance to the efforts to organize both white and colored workers in a union with an intelligent program. Of course the growth of the union has aroused bitter opposition. This has been expressed in Arkansas by the eviction of tenants for no crime except belonging to the union, the breaking up of meetings and other acts of intimidation. Organizers have frequently been arrested, and one arrest, that of Ward Rodgers, may become a *cause célèbre*.

Ward Rodgers, originally a young Methodist preacher, more recently a teacher in the FERA workers classes and a volunteer organizer for the Tenant Farmers Union, was sentenced to six months in jail and a \$500 fine for "anarchy"—a charge based on a speech made to a mass meeting of share-croppers. Fortunately the fact that the union pursued wise and restrained tactics, while the government sent into the territory an able investigator who was genuinely anxious to find the truth, prevented lynching or violence. Meanwhile, the government has held up rental and benefit payments to a few landlords who have been particularly outrageous in evicting tenants belonging to the union. All in all the share-croppers find hope in the situation and are joining the union by the hundred.

Still, the problem of the share-cropper does not permit of any easy solution. Professor Amberson recommends that the Department of Agriculture should itself create a national agricultural labor board charged with direct responsibility for the protection of share-croppers and agricultural laborers. He adds that labor clauses of new contracts must have the full force of law; that the right of agricultural

laborers to organize and bargain collectively should be proclaimed; that the labor of children under 14 years of age should be forbidden by national statute. There are many children who begin to pick cotton at the age of 5, to chop or hoe cotton at 10, for as little as 3 cents an hour. The union asks 20 cents an hour for day laborers.

All these things would help, but, as Professor Amberson points out, "ultimately the plantation system must be liquidated." He is in hearty agreement with Dr. J. H. Dillard when he declares that there can be no decent civilization until the whole tenant system is abolished. But a substitute for the plantation system is another matter. Dr. Vance seems to favor a system of peasant proprietorship in which a great many of the peasant holdings will have to be turned from cotton to diversified farming. But at this stage of our economic and social evolution it is doubtful whether an economy of abundance can be realized on the basis of any sort of subsidized peasant proprietorship.

The cultivation of cotton, especially with the advent of machinery, will probably require large farms for successful operation. The ultimate title to those farms should be in society. Security of tenure should be given to those who live and work on the farms and they should be organized and trained in cooperatives. All of which is, of course, easier said than done. Indeed, any realistic approach to the problem of the cotton farmer makes one realize afresh how difficult is all piecemeal planning. A probable solution of this problem involves a great increase in consumption of cotton, and that in turn requires a degree of planning for the social good wholly incompatible with the present system, which the AAA is meant to maintain and not to end.

Slave Markets of Today

By IGNATIUS PHAYRE

WHEN Sir Boulton Eyres Monsell, the first Lord of the Admiralty, recently remarked that the British Navy is a factor in checking "a loathsome trade," he was referring to the stealing, transporting and selling of human chattel slaves that still go on. "Today," he added, "we maintain only fourteen sloops with slave-trade instructions. Of course, we are ready to dispatch extra vessels when these are called for. A rumor reached us that some of our sloops were too slow for effective chase, so that slave-laden dhows had time to tie big stones to the legs of their human cargo and throw them overboard. When we heard that, we ordered our fastest destroyers to patrol the Red Sea so as to make such things impossible." From reports of naval units on watch he concluded that "the day is past when any large shipment of slaves can be made." But the stark facts make this assurance sound more like a pious hope.

The writer of this article has stood with the British Consul at Mogador in the glaring mud-walled Sok el-Abid of Marrakesh in Morocco and with his own eyes seen men, women and children—both black and white (Moors)—auctioned off like cattle in pre-French days. That was a vivid scene, oddly unreal and with the fateful quality of a Greek drama. It opened with prayer for bidders and "stock" alike, chanted by seven dilals or salesmen. Mounted on a stage above the throng and swaying joined hands these men called down blessings on

the day's deals—"in the name of God, the most Merciful and Compassionate!"

Outside in the vine-roofed lane the horses and camels of merchants and nobles stood fretting, with attendant grooms polishing silver trappings or driving away the flies with long whisks. Inside the wide market stood or squatted hundreds of gayly dressed men. Many of these were tribal Kuids of the Great Atlas, well-armed and bearded patriarchs like those of Gustave Doré in his Bible pictures. Others drew apart under the shade of red walls to read the Koran. These glanced up as a dilal pranced by, clutching with one arm a hefty young Negro and with the other a graceful and lovely Moorish girl: "Great is God * * * O my lords, behold the Strength and the Beauty of the Desert!"

A grave watcher now beckons backward in the curious way of El Moghreb. Our salesman darts over to him, wild-eyed and expectant. With bowed head the girl kneels in acute distress because of her uncovered face. My lord examines her gently; he may do so in private if he pleases. Three hundred dollars is the bid. Away speeds the auctioneer, dragging his helpless couple and yelling the price: "Any advance on that for my pearl?" At rough tables in the centre sit languid scribes to receive the money and write out deeds of life and death and labor.

That market no longer exists, but there are plenty of others left. Slaves are today sold in fifteen different countries—several of them members

of the League of Nations! This may shock those who imagined the "villainous traffic," as Pitt called it, was now a historic memory. Yet the demand for helot labor—domestic, agrarian or industrial—is in many lands as brisk today as it has been at any time in the past, for there is still money to be made in the traffic.

The Republic of Liberia is an original member of the League. Yet all the world knows how an international commission convicted its government of rounding up "black ivory" by its frontier force and selling serfs in Fernando Po and to the Portuguese cocoa plantations of Sao Thomé and Principe. This became a State routine, a source of revenue entailing merciless raids on the heathen and Moslem clans, with killing and burning, looting, torture, flogging and long treks with the human prey thus seized on the pretext of unpaid "taxes."

In the Empire of Abyssinia, another member of the League, slavery and serfdom are deeply rooted. This country, with an area of 350,000 square miles, has at least 2,000,000 slaves. Its ruler is a "modern" and enlightened man—the "King of Kings of Ethiopia, the Conquering Lion of Judah and the Elect of God." For all that, Haile Selassie's domain is full of feudal lords and chieftains whose raids exceed those in General Gordon's day in the Sudan. Rifle and spear men a thousand strong take part. They swoop on a village in the dark, blowing shrill horns, yelling and shooting to induce a panic. Then huts are set ablaze, and in the stampede old folks are slain. Young men, women and children are rounded up to be chained and yoked in caravans for the long trail.

Sir Arnold Hodson and Lord Allenby have described these orgies of fire

and blood and terror. The sick and exhausted are left to die where they fall, or to be devoured by wild beasts. In Abyssinia such forays between one petty kingdom or sultanate and another are on a great scale. As many as 8,000 human beings have been taken at one time for the "domestic" markets.

Much more serious politically are the organized Ethiopian man-hunts in British territory. Nearly 200 have occurred in the past few years. Cattle are driven off, ivory, as well as human beings, is stolen. In the British Parliament Lord Hailsham described an onslaught of 600 Abyssinians upon the Beir tribe in the Upper Nile Province of the Sudan. Here the older men were as usual speared or shot, and twenty-seven women and fifty children carried off.

Similar raids have been made in Kenya and Somaliland. The Emperor's edicts tend to make these crimes more furtive in the hot, unhealthy lowlands of Abyssinia itself, where slave-recruiting among the Negro villages is a regular event. The King of Kings does all he can to block it. In Addis Ababa he has set up an anti-slavery department, with Liguamaqwas Mangesha, his former Minister in Rome, as its head, and M. de Halpert, the European adviser to the Ethiopian Home Office, as counselor. A committee presided over by Prince Asfao Wasan, the heir-apparent, was also formed to combat the traditional slave system.

Ras Heilu and Sultan Aba Jifar set their own slaves free in thousands. Some were settled on the land they had worked for their masters, but how to provide for the rest remains a problem not alone in Abyssinia but in other lands where manumission in recent years has occurred. Thus, in 1924 the Maharajah of Nepal liberated 58,-

000 slaves because "the enlightened opinion of the world is now pressing on us with all its moral force." In Sierra Leone 214,000 more were set free. Burma and Baluchistan followed suit, and in Tanganyika 185,000 helots were released under the British mandate.

Slave labor, nevertheless, is still eagerly sought, whether in the form of absolute property as in Arabia, or in the guise of serfdom, peonage and forced labor. This last is widespread in South America and the Portuguese colonies. The "Mut-tsai" system of China has been discussed in the British Parliament, with special reference to its persistence in Hongkong. But in China, where human life is cheap, the buying and selling of slaves have never ceased. Today there are millions of them even in the more "advanced" provinces; one may guess what conditions exist in the lawless regions beyond the control of Nanking.

Yet Africa remains the great emporium of "The Trade." No English newspapers have as yet investigated the slave systems of today, though the Paris *Matin* has published a series of articles. It began with a description of the man-hunts in Abyssinia among lowly tribes of the West on the Sudan borders, who provide human cattle for Addis Ababa and other local markets.

In that empire slaves can be got by "negotiation" as well as by violent means. Arab dealers from the Hejaz, Asir or the Yemen prowl at large with plenty of money. "When a village is too poor," one of them told the *Matin* reporter, "or if its chief is unwilling to pay his taxes, we are approached as brokers. We settle any overdue taxes, and are then repaid in slave levies. These we deposit for safety in one of the high rock villages of the Aragouba Gallas—a warrior race who

neither buy nor sell, but only guard our stock if we pay them."

The white men were taken to see a slave haul. Through narrow alleys the investigators passed blind walls, then into mud courts, where armed guards stood on watch over mysterious cellars. One of them "raised the planks and we peered down. Here we saw four sleeping women. Three more lay in another dungeon, four men in a third. Not one of them stirred an eyelid; they must have been half dead."

"We start tonight," the Arab told his French visitors. "Business is not easy now, what with imperial prohibition and tribute to be paid to the road. We only travel by night; it is safer that way."

The Frenchmen also saw a kidnapper at work in a valley jungle at dawn. "Selim, the hunter, lay flat in long grass. Afar off we saw women and children driving cattle and goats to a hamlet of the hills. As it grew light we heard sheep bells. A little girl followed the flock. With the supple spring of a panther Selim pounced on her. Not a cry could she give, smothered and gagged as she was by the throw of his canvas sheet. With a helpless bundle over his shoulder Selim loped down the path."

One of the Frenchmen haggled for the child's liberty with the robber's master. "A pretty little one, plump and well made," the Arab dealer mused. "If she lives to reach the Narrow Sea, I'll get \$200 for her there; her buyer will ask \$400 in Mecca." "The risks are many," the reporter hinted. "Let us say \$125 cash down?" Said, the assembler of slaves, sighed that God was indeed Great! And he closed with the *Matin* man's offer. The stolen girl was sent back to her village. "But where is Selim now?" "Collecting others for the long road. This time he'll get me a young boy."

Said herded his captives on Italy's Somali coast. The French journalists followed him to an island where the convoy was to be sold. For safety the dealer bought Ethiopian passports for the cattle packed in his fast-sailing sambouk. They now figure as Moslem pilgrims to the Holy City! This is the infamous commerce which European warships try to break up.

The British Navy's watch involves endless strain in the hottest waters on earth. Four sloops patrol the Persian Gulf to stop slave and gun running. Slaves often escape from the mainland to the pearling islands of Bahrein. Here Sheikh Hamed bin Isa declares them free, and even enlists them in his State police. Another warship station is Muscat, whose young Sultan's rule extends far down the great Arabian peninsula. But the main route for black ivory cargoes is still across the Red Sea, which narrows to 185 miles between Suakin and Jidda, the port of Mecca. Here lie in wait special craft like the British sloops *Penzance* and *Hastings*; these are of 1,025 tons and 16 knots' speed, mounting two 4-inch guns. The British vessels are aided by Italian gunboats, like the *Azio* and *Arimondo*. French sloops of the *Ypres* class join in pursuit. Yet they are far from effective.

Forty nations signed the League's Slavery Convention, but its machinery was feeble and slack. Sir Austen Chamberlain sought to make slave-running an act of piracy, in which case its perpetrators could be hanged or drowned, and their property confiscated. Lord Cecil and Sir John Simon also tried to tighten the provisions. But indifference persisted in some quarters, and as a result complete abolition seems as far off as ever.

"We do catch the slave-dhows now and then," a naval officer at Aden remarked to me. "But they are very fast

—up to 15 knots. They have their own spy system, too, and lots of hiding places in shallow reefs where we can't follow them. For one boat we capture, perhaps a dozen make the Arabian shore and deliver their living goods to the two main markets of Mecca and Taif. It is a very rich trade, and every link in it is made as secure as possible.

"Our most pressing need," my informant went on, "is a force of high-speed, light-draught motor boats, well armed and seaworthy, based upon Perim and able to chase the slavers anywhere. There is much transshipping of this live stock from the big dhows into handier sambouks, especially by the Black Eysah tribe at the extreme southwest hinterland of the Red Sea. These are also first-hand raiders. They employ fleets in this traffic across the narrow Straits of Bab-el-Mandeb, and their chief loading ports are Obock and Tajourah. Each nakhonda, or skipper, is a daring seaman. He sails in the dark without any lights. He scuds close inshore, to thread his way through rocky shallows where no other craft could live. It's so often a hopeless chase for us!"

No wonder, then, that the trade is large, and is even increasing as economic conditions in Arabia improve. A former officer of the British preventive service reckoned that as many as 5,000 men, women and children were carried across each year, many of them from Britain's own territories. Little do well-fed passengers on luxury liners in the Red Sea suspect the scenes which are often witnessed by slow cargo ships.

One of these sighted at dawn a queer craft; she had a big lateen sail and a high-sheered poop, with a square stern much painted and carved. The captain ordered his ship close "just to see what she's up to." She was a

slaver, "packed from end to end of her open waist with stalwart Negroes seated on benches and evidently fastened by their ankles to the bottom. About twelve or fourteen were stowed abreast in twenty rows. That meant some 200 to 300 poor wretches in one vessel." In this case the English captain could do little but give out by wireless the position of the slaver in the hope that one of the three nations' warships would arrest her. But her main halliards were soon repaired. The great sail was hoisted and filled, "and off she went for the Arabian shore."

Slaves who survive to reach public and private auctions in the realm of the warrior King, Abdul Aziz ibn Saud, are not badly treated. Pious Moslems are kind to them. Often they are treated as members of the family. The mild system of Arabian slavery is indeed unlike any other. Water carriers, doorkeepers, personal attendants, in fact a large part of the Holy City's population, are chattel slaves.

Slave mating and breeding is common. Theological students who live for years in the Holy City marry women who are owned by the Arabs. But all offspring of such unions belong by the Sharia, or religious law, to the woman's owner. Meanwhile new supplies are being constantly landed in a vast domain nearly one-third the size of Europe. Ibn Saud by the

Treaty of Jidda (1927) has undertaken to cooperate with Great Britain to suppress the slave-trade, but like Haile Selassie of Abyssinia, he is not a free agent in the matter. There is Islam's warrant to 300,000,000 of the faithful that they may own slaves if they so desire, and can elude the opposition.

Mecca is their holiest centre. Its citizens call themselves the "Neighbors of God"; and in the Sok-el-Abid of that famous town you will today find the shops of traders in human beings. Outside the tall houses of that narrow street are stone benches, the display counters on which sit men and women and children exposed for sale. The more desirable (and expensive) girls are kept inside the warehouses; and wealthy buyers are taken in to view them and haggle over the price, which sometimes runs as high as \$750.

Nothing can end this iniquity, or its less flagrant forms of serfdom, peonage and forced labor, but the remedy prescribed by Lady Simon, wife of the British Foreign Minister and a leader in the movement to suppress the traffic. "There is but one weapon to hand," she declares. "That is public opinion—at once the weakest and strongest weapon in the cause of human progress; weak, when dormant, but invincible when once roused to the pitch of zealous indignation."

Monte Carlo Twilight

By FERDINAND TUOHY*

TO say that the future of Monte Carlo appears gravely compromised is to put it mildly. Rather may one ask, Has Monte Carlo any future? When we speak of Monte Carlo we are of course referring to the Society of Sea Baths, otherwise "the Rooms," the Gaming Concession, the world-famed Casino.

Of late the truth has been seeping out that the whole Riviera is in varying stages of bankruptcy and that of all its famous resorts—Nice, Cannes, Mentone and the rest—Monte Carlo is the worst hit. So it looks as if something organic were wrong with Monte Carlo, something more than slumps and scares and chronic absence of confidence in the future.

Three years ago shares in the Society of Sea Baths were worth \$360; today they are listed at \$80. At the summit of the post-war boom in 1926-1927, there was a net profit of just under \$5,000,000 from the gambling rooms after all expenses had been met. Its like had never been known before, for that too was Monte Carlo's peak year. It was even said locally that the Casino administration was grossly understating its profits lest prospective gamblers be frightened away, and that gains in reality rose to \$20,000,000! At any rate, in that memorable year, \$2,600,000 was paid in dividends at 175 per cent to a handful of stockholders, chiefly members of

the French nobility and Paris politicians and big business men. The society's shares, worth \$25 originally, came to be quoted on the Paris Bourse at \$600 each.

The latest balance sheet to hand, that for 1933-34, left \$1,045,000 "for disposal" after all charges had been met, but only the most rigorous economizing and pruning permitted such a result. A meager dividend of 72 francs, or less than \$5 a share, was paid. But no dividend at all, it is anticipated, will be declared when the next annual meeting takes place. Close observers assert that far from having any profits to dispose of in the last two years, the concession has been operated at a loss for the first time in its history.

Actually, there is no need to wait for the carefully edited statements of annual meetings to see what is happening at Monte Carlo. One has only to list the succession of lures that the Casino authorities have put out to attract customers. Then one appreciates how desperately the concessionaires are trying to keep up appearances.

Time was—until quite recently—when to obtain admission even into the plebeian and "popular" so-called Kitchen—the rooms that face you on ascending the main steps leading from the Gardens—was quite a business. You had to have your passport. You had to fill out identification forms for a permit of entry. There was a charge of ten francs. And you knew that you were being scrutinized by detectives

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who compared your features with indexed photographs of people on the blacklist. They only stopped short of taking your fingerprints, it used to be said!

Certain categories found themselves rigidly excluded. But since the slump nearly every one is admitted. No passports are required and there is no entry charge. As for stakes at the roulette tables and at trente-et-quarante, the minimum has been reduced from ten to five francs, and there is a rumor that a further reduction to one franc is contemplated.

Those who can recall the gold-laden tables of the pre-war days, or even the paper money and counters of the Twenties, will recognize what a come-down a one-franc stake would signify. At the other end of the scale, the maximum stake has been spectacularly raised to 100,000 francs in order to surpass neighboring San Remo in Italy, where the highest staking in Europe has been allowed in recent years.

As part of the campaign to lure gamblers back to the empty and deserted tables more favorable odds have been offered them. The 5 per cent commission on all moneys staked has been abolished after having at first been halved. In boom times this deduction meant millions of francs in added profits for the Casino. And now zero in roulette and the *refait* (drawn game) at trente-et-quarante are no longer to count. Formerly they had given the bank a further 3 per cent of all stakes put on the green baize throughout the day.

Baccarat is also to be "free," that is, shorn of its particular deductions. And in the new Sporting Club the Cuban game of dice, "Hazard," has had to be introduced. Solemnly, a croupier rolls three dice, and there is a 180-to-1 chance. Shades of Grand

Dukes "breaking the bank"! But the gem of the whole luring business has yet to come.

Why not, pondered the Administrator General, René Léon, bring real gold to the tables again? That should attract "the big pockets." Glittering, gleaming gold again after, it seemed, all eternity! Presto! A few months back the thing was done. M. Léon journeyed to Paris and London and bought all the American gold dollars he could lay hands on. He also made arrangements to mint gold pieces of 100, 500 and 1,000 francs. The last would have been a sort of golden cart-wheel had the minting ever taken place. But the Bank of France objected, and the idea was dropped.

The gold dollars, however, duly made their appearance on the tables. It was even announced that \$625,000 was reposing in the Casino vaults below, in five, ten and twenty dollar pieces. Alas, this brilliant play for popularity failed. Not only did the word get about that the gold had to be changed back for counters on leaving "the Rooms"—the counters being in turn convertible into paper money—but the distressing fact slipped out that not a soul was mesmerized by the reappearance of the precious metal.

Perhaps nowhere do the desperate straits to which Monte Carlo is reduced find more eloquent expression than in the new liberalism toward visitors' attire. Monte Carlo had long been notorious for its strict formality in matters sartorial. Even flannel trousers were at one time barred, along with any item of attire considered odd or "arty." As for venturing into the plebeian roulette rooms, much less the gilded Sporting Club, in anything other than evening dress at night—unthinkable!

Now you may enter the sacrosanct portals in almost anything. For a

while even pajamas and bath-towel costuming were tolerated; as for tuxedos, no compulsion whatever endures. No more astonishing change came to Monte Carlo than the appearance of honey-hued beauties, all bare back and bare thigh, and their accompanying gallants only slightly less prodigal in the matter of bronzed self-exposure. A special gaming preserve has since been established at Monte Carlo Beach for this exotic cosmopolitan clientèle, where it can emerge from the Mediterranean and try its luck on tables flanking an artificial sand strip. But does this attenuated company stake high? Seemingly it does not. Most of the time it just slips on a few francs for the fun of it.

Thus total annual profits fall away, and directors, at their wits' end, are impelled to sanction such unbelievable accommodations as penny fruit-machines within the exalted precincts, the holy of holies, "the Rooms." And there are strenuously denied rumors that lovely ladies are employed as decoys at the tables; that titled celebrities are given free sojourns in return for standing about the place. What is the explanation of it all?

Consider for a moment the report for 1926-27. Receipts were nearly \$7,500,000 from roulette, trente-et-quarante and chemin-de-fer (baccarat profits not included); \$450,000 from entrance tickets; and a further \$100,000 from the tobacco monopoly. Expenses were \$3,100,000, including \$100,000 paid to the Prince of Monaco for the concession and \$400,000 to the French Government for the right of quotation of the company's shares on the Paris Bourse. Net profit, all sources, not quite \$5,000,000.

That was a report to rejoice shareholders' hearts. How the ledger has sagged since then! For 1927-28 net profits had fallen \$375,000, not a

great deal, but Wall Street had not yet crumpled. During 1928-29 gains dropped for the first time rather alarmingly—to \$2,775,000, and in 1931-32 still more steeply to \$1,610,000. For the first time since the Blanc twins founded "the Rooms" in 1866, no dividend was paid, the reason given being the exceptional expenditure incurred in modernizing the resort.

The year 1932-33 showed a still more dismal picture, with profits at a mere \$720,000. For 1933-34, however, there was a gain of some \$300,000 over the low figure; yet that does not imply that there was an increase of gambling! The resort's improvements having been nearly paid for, it was not necessary to earmark so much money for them and thus profits appeared to increase.

These improvements have been real. The artificial beach with its attendant country club is alone said to have accounted for \$2,500,000. Untold tons of sand had to be brought to the unkempt, pebbly beach. A fortune was likewise spent on extending the municipal sewers out to sea—something most necessary when tides are non-existent. Nobody knows what the massive white Sporting Club cost; its interior is today an affront, recalling an era of riotous extravagance. Possibly 200 or 300 supers would be required in these vast empty halls to dispel the all-encompassing chill.

Additional millions were spent on the construction of a sweeping sea boulevard embellishing the Casino frontage. New superhotels were built, and golf links, and unending tennis courts; and gala nights and opera were staged regardless of expense. The most expensive troupes of "Les Girls" (American) were enrolled as a permanent feature—though they are not allowed to begin their act until

nearly 2 A. M. "I must get visitors to gamble first," M. Léon explains. Yet all this dizzy expenditure, undertaken to meet the challenge of ultramodern French and Italian resorts, has availed Monte Carlo very little.

The reason for Monte Carlo's relentless decline most often heard hinges on the recent legalizing of roulette and chemin-de-fer in French casinos. Monte Carlo long had the monopoly of these and it is claimed that the new competitive state of affairs, introduced in order to save French gaming places from bankruptcy, has hit Monte Carlo in the vitals. That is why M. Léon acquired that enormous white elephant which Frank J. Gould built at Nice—the Palais de la Méditerranée—to squelch potential competition so near at hand.

Yet close observers deny that the newly licensed gambling in France has really hit Monte Carlo. They point out that roulette and chemin-de-fer in French casinos have proved a complete fiasco. There are more convincing reasons for Monte Carlo's present plight.

To begin with, that special money-flinging world on which an institution such as "the Rooms" could hope to thrive no longer exists. Gone are the prodigal Russian Grand Dukes and the spendthrifts from Central Europe. None of them can compete with the overvalued franc to which Monaco has to adhere by treaty. Again, Mussolini forbids his Italians to go further west than San Remo's gambling tables, while Hitler allows no traveling German to have more than 200 marks a month to spend. South Americans, who were great gamblers, are also in financial straits.

Lavish citizens of the United States

—who, incidentally, were never major gamblers even when the dollar was worth thirty and forty francs—are almost as rare in Europe now as salmon in the Sahara. Even the British, always the backbone of Monte Carlo, have had to leave owing to the depreciation of the pound. Spain has no money, and neither have the Balkans, while Scandinavia is on sterling. The rich French were never great punters; when they gamble now they naturally select their own casinos.

The world depression, of course, has hit Monte Carlo, hit it perhaps mortally, since most of the enormous private fortunes of the nineteenth century, upon which "the Rooms" grew rich, are things of the past. And that brings us to the last reason for Monte Carlo's steady eclipse.

There is evidence and to spare of a change in the fashionable attitude toward gambling in stuffy casinos. The rising generation—even if it could afford to do so and up to a point many people could—shows scant inclination to follow in parental footsteps and sit round the green baize. In other words, casino gambling is falling out of fashion. This is not to say that gambling itself is becoming a thing of the past, but the goddess of chance is wooed in places other than "Kitchens."

The fading out of casino gaming as a fashionable distraction represents Monte Carlo's gravest misfortune. With the exception of the four war years Monte Carlo reveled in golden success for more than sixty years. Now there is complete stagnation. The truth seems to be that if the old Monte Carlo is finished forever, it is as a victim of a change in the public taste and of a permanent shortage of money to throw away.

Current History in Cartoons



He's tasted blood
—*New Haven Evening Register*



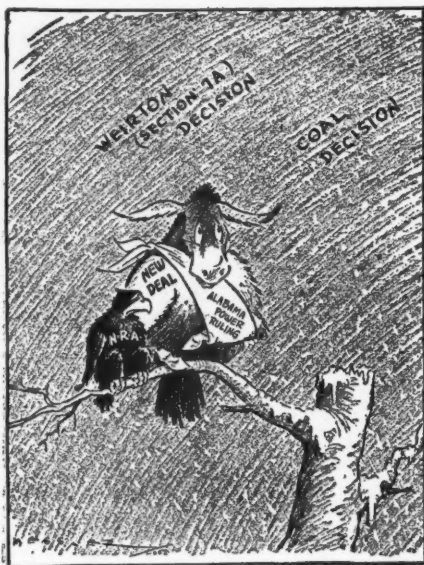
Dirty work at the crossroads
—*Boston Evening Transcript*



"That ticket's no good here!"
—*The New York Times*



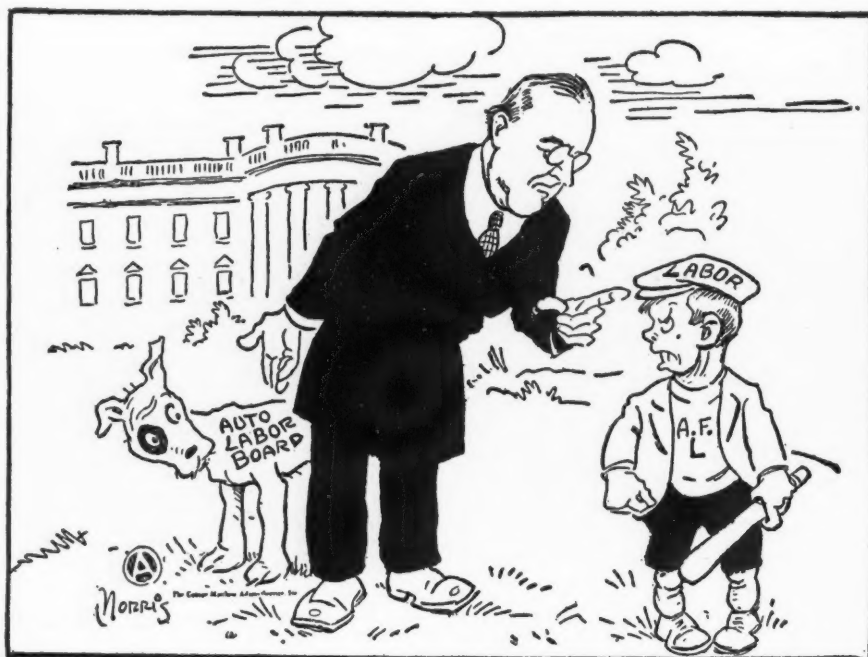
The wonderful one-hoss shay
—*News and Observer, Raleigh*



Stormy weather
—Rochester Times-Union



The golden apple
—San Francisco Chronicle



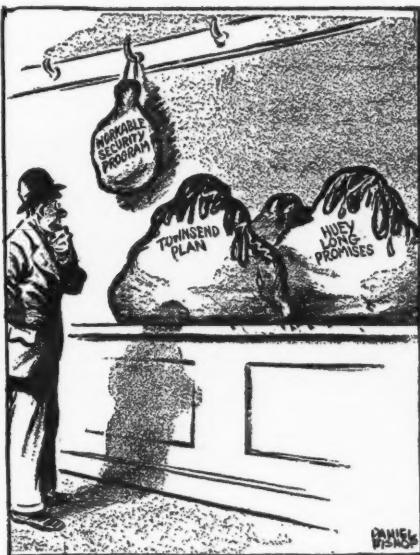
"Listen, sonny, quit kicking my dog around"
—Chattanooga Times



"So I'm a clown, hey?"
—Philadelphia Inquirer



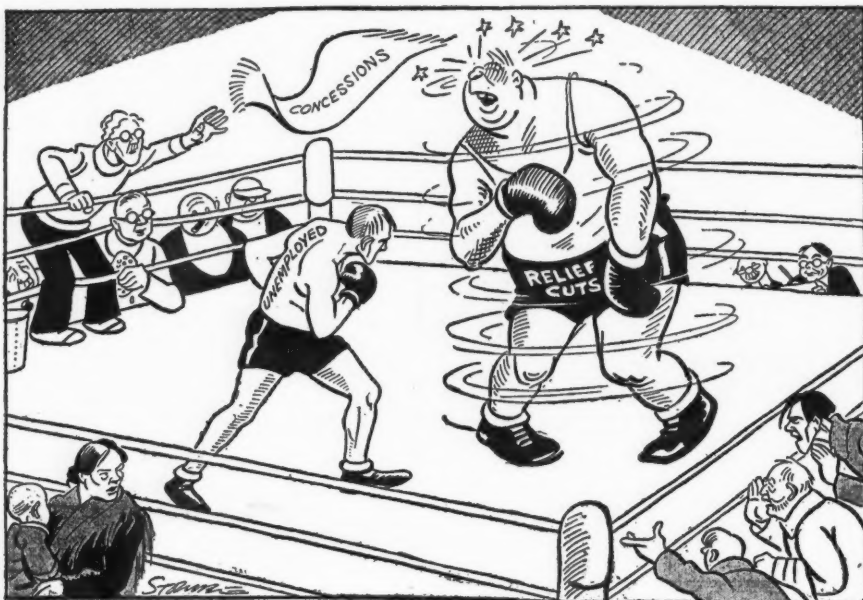
Old man of the sea
—St. Louis Post-Dispatch



Creampuffs or meat?
—St. Louis Star-Times



More plowing under
—Pittsburgh Press



Manager MacDonald throws in the towel

—Daily Express, London



Is London Bridge falling down?

—The Sun, Baltimore



Something to sneeze about

—Emporia Daily Gazette



Shadow over Africa

—Glasgow Evening Times



The white man resumes his burden
—New York World-Telegram

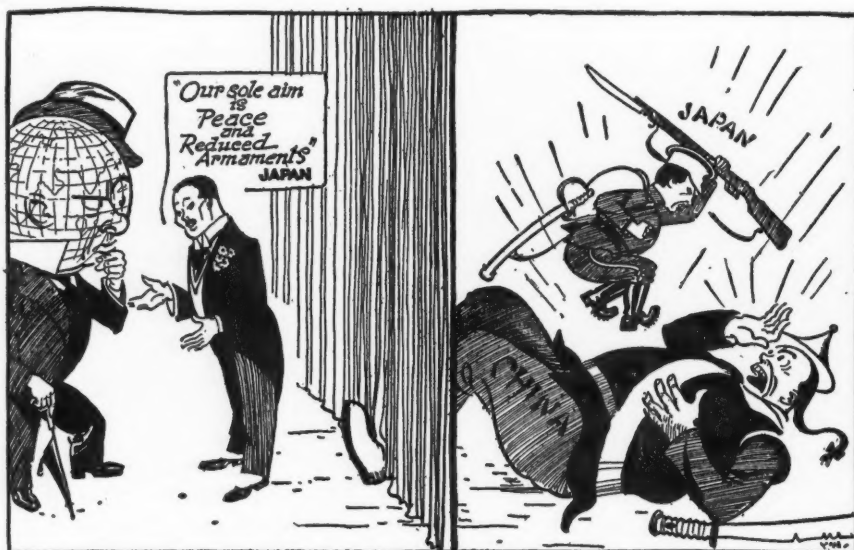


European vaudeville: The egg dance
—Kladderadatsch, Berlin



Sir John Simon would love to dance, but —

—Daily Express, London



Before the Japanese curtain—and behind

—Glasgow Bulletin

A Month's World History

Chronology of Current Events

(Figures indicate page numbers.)

International Events

- Feb. 15—Germany replies to Anglo-French proposals (59).
Feb. 20—Soviet Union endorses Anglo-French proposals to Germany.
Feb. 21—Chancellor Schuschnigg visits Paris (90).
Feb. 23—Paraguay quits League (63).
Feb. 24—Arms Traffic Committee of Disarmament Conference meets (61).
Feb. 26—Argentina bars coercion by League against Paraguay (63).
Mar. 5—Anglo-German conversations postponed (61).

The United States

- Feb. 11—Secretary Morgenthau promises a dollar steady in world markets.
Feb. 12—Dirigible Macon wrecked off Pacific Coast.
A. F. of L. demands "prevailing wage" in Relief Bill.
Feb. 15—General Robert E. Wood named adviser on allocation of relief funds.
Feb. 18—Supreme Court upholds government on gold-clause cases (68).
Feb. 20—Roosevelt asks two-year extension of NRA (65).
Feb. 21—Senate defeats administration over Relief Bill amendment (67).
Feb. 22—Alabama court holds sale of TVA power illegal (70).
Feb. 27—Federal District Court of Delaware voids Section 7a when applied to companies not in interstate commerce (70).
Kentucky court rules against government regulation of wages in bituminous coal industry.
Feb. 28—Senate votes NRA inquiry.
Mar. 4—Second anniversary of Roosevelt administration.
President Roosevelt asks Congress to end ocean mail contracts (66).
Mar. 5—Former Justice Holmes dies.

- Mar. 8—Lundeen Security Bill reported in House.
Senate passes Army Appropriation Bill.

Latin America

- Feb. 2—Brazilian trade treaty signed at Washington (76).
Feb. 7—Abortive revolt in Argentina (75).
Feb. 10—Bank-purchase plebiscite in Haiti (78).
Feb. 12—Mexico bars religious literature from the mails (78).
Feb. 18—Decisive Chaco battle begins at Villa Montes (77).
Feb. 26—Cabinet shake-up in Cuba (77).
Mar. 9—Dictatorship established in Cuba (78).

The British Empire

- Feb. 6—Citizenship Bill passes report stage in Irish Free State Senate (82).
Feb. 7—First failure in British pepper pool (80).
Indian Legislative Assembly votes against proposed Constitution (81).
Feb. 11—Government of India Bill passes second reading in House of Commons (81).
Feb. 14—Labor motion of censure fails in House of Commons (79).
Feb. 15—Neville Chamberlain denies imminent British general election (80).
Unemployment Assistance (Temporary Provisions) Bill receives royal assent (80).
Feb. 18—Commission for British arms inquiry appointed (62).
Feb. 22—President of Burmese Legislative Council ousted (82).
Mar. 3—Great Britain announces increased defense budgets (81).

France and Belgium

- Feb. 10—National Labor Commission established in Belgium (84).
Feb. 26—Riots occur in Algeria (84).

Feb. 27—Trade agreement between Belgium and the United States signed (85).

Mar. 1—French Deputies support Premier's policy toward Peasants' Front (84).

Germany and Austria

Feb. 11-12—Austrian Socialists mark first anniversary of civil war (89).

Feb. 12—Students demonstrate in Berlin for return of Memel territory (101).

Feb. 18—Nazis execute two women for selling military secrets.

Feb. 21—Forced loan for unemployment ordered by Hitler.

Feb. 26—German Government assumes control of mining affairs.

Mar. 1—Formal return of the Saar territory to Germany (86).

Italo-Abyssinian Conflict

Feb. 11—Mobilization of 35,000 Italian troops announced.

Feb. 12—Italy demands indemnity and apology from Abyssinia (91).

Feb. 20—Italian Defense Council says Italy is prepared for war.

Feb. 21—Abyssinia avows peaceful intentions toward Italy.

Mar. 5—Italy and Abyssinia agree on neutral zone.

Eastern Europe

Feb. 20—Yugoslav Regent asks end of disorders in the country.

Mar. 1—Revolution breaks out in Greece (95).

Mar. 5—Hungarian Parliament dissolved by Regent (99).

Northern Europe

Jan. 28—Finnish Diet dissolved after language-question impasse (100).

Feb. 1—Liquor traffic becomes legal in Iceland.

Feb. 14—Nazi leaders arrested in Sweden (102).

The Near and Middle East

Feb. 8—Turkish general elections (106).

Feb. 14—Ex-King Ali of the Hejaz dies at Baghdad (108).

Feb. 24—Resignation of Cabinet of Ali Jewdet Beg in Iraq.

Mar. 1—Opening of Fifth Grand National Assembly in Turkey (106).

Mustafa Kemal Ataturk re-elected President of Turkey (107).

The Far East

Feb. 27—Japanese Foreign Office spokesman denies Japan seeks to isolate China.

Mar. 2—King of Siam abdicates (111).

Europe's Diplomatic Deadlock

By ALLAN NEVINS

Professor of American History, Columbia University

A HIGHLY realistic game is being played by the European Chancelleries. On one side are the nations that wish to see binding agreements signed, all cards on the table, the future safeguarded. These are the nations—France, Great Britain, Italy, the Soviet Union—that can gain by keeping the status quo and lose by violent disturbances. Opposite them stands the one European power that is anxious to conceal some of its aims, to keep a few cards up its sleeve. This is Germany, which detests the status quo, and, having struggled for fifteen

years to break down the Versailles treaty, refuses to be banned against future action. The dominant group would like to see all Europe acquiescing in a set of hard-and-fast engagements covering all contingencies on all fronts. Germany, having labored desperately to gain a certain power of initiative, now clearly intends to retain it.

Hence the deadlock that still grips Europe. The latest Anglo-French proposals for breaking that deadlock have as yet proved utterly futile. As they appear to the British, French

and Russians, these proposals constitute an effort to bring Germany back into the European system and bind her to a peaceful course. As they appear to Hitler and his associates they are rather an attempt to bring her back into the "bondage" of Versailles and bind her to helplessness. Peace-loving Europeans are alarmed by the portent of a heavily armed Germany outside the League, permanently hostile to the League's objects, and relying on brute force and political manoeuvring to gain her ends. They offer her a "general settlement freely negotiated" by which she may exchange her signature to an arms convention and certain regional compacts, with a return to the League, for military equality. And at once the Nazi leaders draw back lest they be tied to all their old boundaries, their old disabilities, their old inferiority.

It seems incredible that the British and French ever thought Germany would take their plan of Feb. 3 and sign on the dotted line. We stated last month that the Reich might accept the proposal for mutual guarantees against sudden air attacks, but that it would assuredly be loath to assent to the "Eastern Locarno" or a guarantee of Austrian independence. That prediction was borne out by the formal German reply on Feb. 15.

This reply, handed by Foreign Minister von Neurath to the British and French Ambassadors, was short and couched in general terms. It was thoroughly cautious in tone. Even the approval of the air compact was accompanied by reservations. Von Neurath wrote that his government "welcomes the proposal to increase security against sudden air attacks by a convention," but would have to clarify some preliminary questions of principle before negotiating a final agree-

ment. The other proposals were treated in a few chilly words. The Reich promised to submit the whole complex of European questions raised in the Anglo-French note to an "exhaustive examination." It promised to conduct this examination with an eye to the general peace of Europe as well as the security of Germany in her "peculiarly exposed position." It promised to give special attention to the best means of preventing an armaments race, now threatened "through the failure of the highly armed powers to carry out the disarmament provided by the treaty." But beyond these non-committal statements Germany would not go.

In fact, the German reply was clearly an attempt to effect two objects. One was to detach the air convention from the remainder of the Anglo-French proposals. The invitation to join in an aviation compact pleased Berlin in that it was a tacit recognition of Germany's right to an adequate air force, now forbidden under Part V of the Versailles treaty. But for the Eastern Locarno and the Rome agreement for safeguarding the integrity of Austria and the other Danubian States, Germany has no tolerance. Her leaders declare that the former in particular is quite unacceptable and that she has no intention of guaranteeing the Soviet Union against attack. The second object of her reply, very plainly, was to conduct further negotiations upon even the air convention through bilateral discussions, avoiding a general conference. To this end Germany invited Great Britain to begin with "a direct exchange of views." If and when bilateral negotiations produced a satisfactory result, then a general conference—evidently upon air questions alone—might follow.

There was a certain naïveté in the general chorus of disappointment which went up from the European press outside Germany. The French newspapers in particular expressed themselves bitterly. They denounced the German reluctance; they accused the Reich of trying to drive a wedge between Great Britain and France. Italian journals declared that Germany had no interest in the organization of peace, and was simply trying to outmanoeuvre Great Britain and France. In Russia the press, echoing a speech by Ambassador Maisky in London, lamented the German hostility to the "Eastern Locarno," and expressed fear that Great Britain would consent to drop it. In England the *Manchester Guardian* deplored the imminent danger of another headlong race in armaments, and the displacement of the League by the system of pre-war politics. A few official voices spoke hopefully. M. Laval said that at least Germany had not locked the door. But it was evident that France and Great Britain had suffered a rebuff.

The two nations had no choice but to play their hand out, although it soon became clear that the British leaders had little faith in their cards. On Feb. 25 Sir John Simon informed the House of Commons that he was going to Berlin, with the approval of the French and Italian Governments, to discuss the subjects covered in the Anglo-French note. The German Government had consented to talk with him on the entire problem of European security, and not merely the air convention, if the discussion were considered an "exchange of information" and not a "negotiation." After seeing Hitler and von Neurath, the British Foreign Minister expected to proceed to Warsaw and Moscow. Inasmuch as Sir John's visit would be the first

made to Berlin by any leading British statesman since J. Ramsay MacDonald and Arthur Henderson went there in 1930 to discuss European peace with the Bruening Government, German pride was somewhat flattered by the prospect. Sir John was to arrive by air on March 7.

But on March 3 ominous news came from both London and Berlin. In the British capital fears were expressed that Germany would yield nothing; in the German capital it was flatly said that the Reich's leaders would not budge an inch on the "Eastern Locarno," or—for the present—on the Austrian guarantee. Hitler and Sir John Simon, it was evident, would not get beyond the "exploratory" stage. Nevertheless, the world awaited the meeting most anxiously.

It is seldom that European diplomacy, even in these troubled times, treats an expectant world to a surprise like that of March 4-5. The curtain was up, the footlights blazing, the overture ended, and everybody waiting for Hitler and Sir John to take the stage. Instead, there was a sound of angry scuffling in the wings and an announcement that the show was off. The British Government on March 4 suddenly laid before the House of Commons a White Paper announcing marked increases in the army, navy and air force, calling attention to the rapid and menacing increase in German armaments, and declaring that the old faith could no longer be placed in peace machinery and international compacts.

Germany took instant offense. The statement in the White Paper that the continued arming of Germany "will aggravate the existing anxieties of Germany's neighbors and may consequently produce a situation where peace will be in peril," and the reproachful reference to "the spirit in

which the population, especially the youth, of their country are being organized," were taken as insulting. Next day Berlin replied by a direct snub to Sir John Simon. It was stated that Chancellor Hitler's cold would not permit him to see the British Foreign Minister, and that their conference was postponed without date. The German press was exultant. An official in the German Foreign Office was quoted as saying that Germany would reply to England "blow for blow." And it was taken for granted in both London and Berlin that if the conference did occur shortly, it would be chilly and unpleasant.

All in all, the results of the Anglo-French proposals are thus far very discouraging. They have given Germany what she is pleased to call a recognition of her right to heavy air armaments—which is unfortunate. They have doubtless brought France and Great Britain closer together as against Germany—but such semi-hostile alliances in Europe are also unfortunate. They have not checked the rapid increase of European armaments in the least. Barring some unexpected development, they may be called a failure in softening the German temper or enlarging the German view of European needs. The fact is that they were too heavily weighted against Germany, who does not regard recognition of her right to arm, since she is exercising that right anyway, as sufficient return for accepting the existing situation in Eastern Europe and along the Danube.

It is easy to condemn Germany, but in a world of *Realpolitik* mere condemnation gets nowhere. The constant German agitation in Memel and Danzig, the renewed German movement during February for a return of part of the former colonies, the German talk of the propriety of an Austrian

plebiscite on the Anschluss question, all indicate some of the probable ambitions of the Reich. At any rate they are evidence that the German price for returning to the League and to a completely binding system of European guarantees is higher now than when the Reich left Geneva, and is likely to rise.

There would seem to be two possibilities. Germany can perhaps be made to comprehend that if she continues to take a stubborn stand she simply makes more formidable and unyielding the great combination of powers which already ring her about on the west, south and east, that she only makes her position, economically and politically, more unhappy still. That is the method of threat, which many French and Russian leaders prefer to use. Or she can perhaps be made to understand that to return to the European system and re-enter the League will be the best means of satisfying such just ambitions as recognition of her equal right to arm and her right to a return of colonial territory. That is the method of conciliation which Great Britain and Italy have hitherto shown they prefer. But from any point of view the publication of the British White Paper at the particular moment chosen for its release was a deplorable blunder.

ARMS-MAKERS AND ARMAMENTS

While the Disarmament Conference at Geneva is not yet dead, its only current sign of life is represented by the attempt to bring about some international supervision of the sale of arms. The Arms Traffic Committee of the conference, composed of representatives of twenty-two governments, met in Geneva on Feb. 24. It at once took up a proposal submitted by the United States. This proposal, elaborately and carefully worked out, was explained by Hugh R. Wilson, the American

Minister to Switzerland. It provided for presentation to the nations of the world of a draft treaty for achieving three main objects. First, each country should create machinery for investigating and reporting on arms production within its own borders; second, a permanent international commission should be set up to scrutinize and supervise the traffic in arms; and third, means should be found to publish regularly the statistics on production and trade gathered by the commission.

This proposal met immediately with much opposition on the ground that it was too far-reaching. Earl Stanhope, speaking for Great Britain, was the chief dissenter, and was supported by representatives of Italy and Japan. He took the view that in the absence of any treaty for the limitation of armaments the work assigned to the international commission should be simplified and restricted. In the main, he would limit it to the collection and publication of facts on manufacture and traffic supplied by the various nations. As March opened no decision had been reached, but it was evident that the ambitious American proposals would be whittled down by other nations.

Meanwhile the armament industry continues to receive much healthful publicity. The Senate committee investigating the subject in the United States continued during February to hold hearings, and elicited additional evidence of war-time profiteering, the Bethlehem Steel and Bethlehem Shipbuilding Corporations under Eugene G. Grace being the chief culprits exposed.

Prime Minister MacDonald announced in the House of Commons on Feb. 18 the Royal Commission to inquire into the manufacture of arms, headed by Sir John Eldon Banks and

including such distinguished persons as J. A. Spender, Sir Philip Gibbs and Dame Rachel Crowdy. These names offer assurance that the inquiry will not be perfunctory. The commission is not empowered at the start to examine witnesses on oath, and is not expected to fish for past scandals. But it is to get to work without delay; is to disclose all the present operations of the arms manufacturers, and is to report in detail on the advisability of a State monopoly of both manufacture and trade. Its findings should be of great value in Geneva as well as to the British Government.

On Feb. 24 a brave little subcommittee of the French Chamber reported in favor of a French armaments inquiry, but the suggestion was not taken seriously.

PARAGUAY LEAVES LEAGUE

After two and a half years of bloody fighting, Paraguay has fairly conquered most of the Chaco territory that was in dispute between herself and Bolivia. It was hardly to be expected, therefore, that the League would succeed in inducing the sturdy, tenacious little nation to relax its hold. It will be remembered that late in November the League unanimously adopted a report on methods of settling the dispute, and appointed an advisory committee to continue the efforts for an adjustment. Bolivia, the loser in the long struggle, was willing to accept arbitration, but Paraguay refused. As a matter of fact, any Paraguayan Government that accepted a "premature" peace would beyond doubt be at once overthrown by the army.

On Feb. 24 the three-month period in which the delinquent nation was to have an opportunity to accept the League's proposals came to an end. Technically it would then have been

possible to deal with Paraguay under Article II of the covenant. But the previous day, Paraguay took matters into her own hands, and announced that she would quit the League. Her resignation does not take effect for two years, but like Germany and Japan, she will henceforth ignore Geneva.

The League was, of course, not released from its own obligations by this action. Its next duty should have been to summon the advisory committee, and to consider the application of sanctions, but the South American Governments took action that made this impossible. Led by Argentina, a number of them advised the secretary of the League, M. Avenol, that they would not consent to sanctions directed against Paraguay.

One unfortunate new aspect of this most unhappy chapter in recent South American history is the bad feeling that Paraguay's all but complete victory has bred between Chile and Argentina. Most Chileans have sympathized with Bolivia, most Argentinians with Paraguay. The beginning of March brought an outburst of Chilean denunciation of Argentine policy. Leading men joined it, and Agustín Edwards, former Chilean Ambassador to Great Britain, created much resentment in Buenos Aires by declaring that Argentina had prolonged the savage war for her own selfish purposes.

THE FAR EAST

Little was heard during February of Japanese and American differences on the naval question. Such silence is golden. It is important that leaders in both countries, and especially Japan, be given time to forget some of the more dogmatic utterances of recent months. The only significant statement made in either nation during the

month was by the Japanese Naval Minister, Mineo Osuni. He told the Diet on Feb. 6 that the government was planning a third naval replenishment program, beginning with the fiscal year 1936-37; and that if the Washington Treaty is not renewed before the end of 1936, Japan will proceed on the principle of "autonomous defense." That is, she will build what warships she thinks she needs, and may have more tonnage in certain categories than Britain or America, less in others.

Three days later, on Feb. 9, General Smuts, speaking in Cape Town, re-emphasized some of his statements made in London before Christmas. He told the South African Institute of International Affairs that if Japan proved obdurate, and was determined to carry out a policy that threatened a new race in naval armaments or the integrity of China, the other Pacific powers would have to meet the situation. He declared there should be practical cooperation between the United States and the British Commonwealth for mutual defense in the Pacific and the preservation of Chinese independence, and that if Japan knew that such cooperation existed, this would in itself go far to insure peace. The speech was received with much satisfaction by the British press, and—quite unofficially—in some quarters in Washington.

Any treaty arrangement between Britain and America seems impossible, but Japan must realize that an uncompromising course is sure to produce the reality of Anglo-American cooperation, treaty or no treaty. It is highly regrettable that, during the present pause in discussions, both Japan and the United States should be planning naval manoeuvres of unprecedented scope in the Pacific late this Spring.

The President Loses Prestige

By CHARLES A. BEARD

IF face value is to be given to the signs of the times—transactions on Capitol Hill, announcements from the White House and opinions of the press—then it must be recorded that the disintegration of President Roosevelt's political prestige proceeded with staggering rapidity during February and early March. Not even the shrewdest analyst and prophet who surveyed the overwhelming Democratic victory last November imagined that within four months the assurance of triumph would be dissipated and that defeat for 1936 would loom ominously on the horizon before Spring. Yet the unexpected has happened.

Contradictions in the New Deal have reached a high tension. President Roosevelt's spell of leadership has been definitely broken, for the moment, if not for good. Only one sign of clear determination has been displayed in his policy: His resolve to pour out billions for increased armaments in preparation for war. While old-line Democrats haggled over patronage and planned the purchase of the next Presidential election with a \$5,000,000,000 fund supplied by taxpayers, the President and his allies moved swiftly with their war program.

Although it was well known that Secretary Hull was opposed, the President backed up the navy's independent project to conduct manoeuvres in the Far Pacific, as close to Japan as "proprieties" would admit. He did this while fully aware

that such manoeuvres are just the stroke desired by the military dictatorship in Tokyo, which employs a deadly fear of the United States in fastening its grip upon the Japanese people. So it is coming, and it will bring the inevitable repercussion, leading to the next—and the next.

Evidence of coming things was also revealed on Feb. 22 when the House of Representatives passed without a record vote the War Department's appropriation bill for \$378,000,000, one of the largest in peace-time history. By rallying its forces in the House, the administration prevented the adoption of an amendment depriving the President of discretionary authority to increase the army's enlisted strength by 46,250 men. Not content with this victory, T. B. Parks of the House Appropriations Sub-committee on War Department matters, and J. J. McSwain of the House Committee on Military Affairs, announced on March 2 that they expected to get more millions out of the works-relief fund. Mr. McSwain placed his figure at \$405,000,000, in addition to the regular military grant.

General MacArthur stated before the Appropriations Sub-committee that he had been instructed by the Budget Bureau not to put his construction items in the War Department bill, and submitted a measure calling for \$405,000,000 in addition to his regular demand, evidently with the hope or assurance that this huge supplementary grant would come from

the works-relief appropriation. Meanwhile Senator Robinson, speaking as an administration leader, assured representatives of peace societies that no money would be taken from the works-relief fund for naval purposes. Thus the way was being prepared for war abroad and the drum-head court-martial at home.

While bureaucrats and their munitions allies, who are preparing for the Pacific war and are determined to have it, wrung from the House and the administration stupendous grants of money, the Nye committee continued its inquiry into the munitions industry. It added new chapters to the sordid story of exorbitant profits, intercompany collusion and subterranean political connections with the administration. In an address delivered on March 2 before an anti-war conference at Oberlin College, Chairman Nye characterized "national defense" as a "racket" carried on by governments and munition makers. "These international racketeers," he said, "bribe public officials, share the profits from their business, divide the world into territories for themselves and fight disarmament by maintaining lobbies." Yet about the same time Senator Nye rejected a plea from the Progressive Education Association and other educators calling for an inquiry into the sources of militarist propaganda by the press, radio and film. Meanwhile no steps were taken by Congress or the administration to stop the collusion, profiteering and propaganda unearthed by the Nye committee.

That President Roosevelt was at the end of his resources so far as domestic policy is concerned was suggested by events all through February and the early days of March. Although he had had six months to prepare measures touching unemployment re-

lief, the future of NRA, AAA, transportation, shipping and the place of organized labor in the New Deal, he had nothing ready when Congress opened and he has presented nothing but generalities since that time. Whereas in the early days of his administration in 1933 he made bold strokes and laid concrete measures of action before the Legislature, he now asked Congress to sign blank checks and left it to flounder in a morass of uncertainty in respect of his plans, if he had any. Nor was he entirely disingenuous in the matter of military and naval preparations, for he allowed Senator Nye to state publicly that the President would not use relief funds for military and naval purposes and Democratic Representatives in the House to assert, a few days later, that millions would go from the blanket works-relief appropriation to military and naval construction.

On Feb. 20, it is true, President Roosevelt raised with Congress the question of extending NRA, but those who had expected from him a fairly comprehensive treatment of the subject, accompanied by the terms of a bill, were disappointed. His message was brief and general. He asked for an extension of the act for two more years, and indicated in flowing language some things deemed desirable. Among other suggestions, he proposed that if an industry failed to agree to a code "unquestioned power must rest in the government to establish in any event certain minimum standards of fair competition in commercial practices and, especially, adequate standards of labor relations." Rumor had it that NRA had drawn up a tentative bill, after conferences with the President; but no specific program was laid before Congress with Executive sanction. Not satisfied with the President's offerings, Senator Wagner introduced

the following day a bill for establishing a National Labor Relations Board independent of the Department of Labor, for vesting real powers in it, for outlawing company unions and for giving employes an independent right to bargain collectively and exclusively through representatives elected by majority vote.

The failure of the administration to come to grips with the realities of the economic issues involved in NRA was illustrated by the contrast between the President's message to Congress on the subject and the "Report on the Operation of the National Industrial Recovery Act," made public in February by the Research and Planning Division of NRA. After calling attention to the fact that stock market prices were reaching the levels of 1931, the report added (page 24): "Note that, although payrolls in December, 1934, were only about 60 per cent of the total in 1926, dividends and interest were 150 per cent of their total in 1926. In short, the income enjoyed by those who received dividends and interest was 50 per cent higher than in 1926, even though the national income has declined nearly 40 per cent since that date and the volume of production has declined by one-third."

Against this statistical summary were to be placed avowed objectives of the original NRA declared in 1933: To reduce and relieve unemployment; to improve standards of living by increasing purchasing power and by promoting the fullest possible utilization of the present productive capacity of industries. This brutal contradiction between practice and theory was also statistically supported in a letter from the Secretary of Agriculture transmitting to the Senate a report by Gardiner C. Means on "NRA and AAA and the Making of Industrial Policy," made available to the public

in February (Senate Document No. 13). Such disconcerting findings of fact by competent agencies of the government added to doubt and distress even among friends of the administration. Even the resignation of S. Clay Williams as chairman of NIRB, announced on March 5, did not materially relieve the tension.

In his message of March 4 on shipping, President Roosevelt was also brief and general, save on two points. He declared flatly that the "subterfuge" of mail contracts should be abandoned and an open subsidy adopted. He also proposed that the quasi-judicial functions of the Shipping Board Bureau be transferred to the Interstate Commerce Commission. But he suggested no specific form of subsidy. He merely said that such favors to private concerns should be based on differences in construction and operating costs between American and foreign shipping, and should take into account the liberal subsidies granted by foreign governments to their nationals. What should be the size of the American marine? It should be "adequate," it should be sufficient to carry a "reasonable portion of our commerce"; it should be large enough to maintain "reasonable and necessary intercourse with other nations" in time of war. Ships should be "in keeping with our national pride and national needs." Such were the President's "yardsticks" for Congress in the domain of merchant shipping.

Disintegration of the President's prestige in Congress was especially marked in connection with the blanket appropriation of \$4,880,000,000 for work relief. Resentment over his refusal to furnish any itemization was manifested in many speeches in the Senate, where the bill was held up, and by still more vigorous remarks in the lobbies and cloak rooms. Although

Senators did not relish the charge that they were blocking grants to the hungry and shivering, they declined to sign the President's blank check. On Feb. 21 they passed by a narrow margin an amendment to the blanket bill requiring the payment of "the prevailing rate of wages" on public works designed for relief.

The President countered by a threat to veto the whole bill if the amendment was retained, and his directors in the Senate returned the bill to the committee. When the bill was sent back to the floor on March 5 it was shorn of the amendment, thus offering a direct challenge to the "champions of labor." It was, however, accompanied by a lump-sum itemization—so broad and general as to admit of any operations which the administration may decide upon when and if it is passed. Whatever the outcome, the "era of good feeling" had come to a close.

Other props were knocked from under President Roosevelt's dominion by an upheaval in the Department of Agriculture which resulted in the expulsion, resignation or shifting of certain members generally regarded as "left wing." Superficially, at least, this house-cleaning meant giving more power to the Administrator, Chester Davis, who was regarded as "practical" in dealing with processors, dairy companies and other capitalistic concerns. It involved also the burning question of the treatment to be meted out to about 8,000,000 share-croppers in the South and Southwest, who, to put it mildly, have not enjoyed many blessings under the New Deal.

To speak concretely, landlords have not been compelled to "pass on" to tenants a proper portion of payments made by the government for crop reduction. According to a United Press report, Mrs. Mary C. Myers, a

special investigator for AAA, "uncovered contract violations which caused cruel hardships to part of the farm population. She found share-croppers straggling along the highways, homeless and unable to obtain relief." If there is any doubt about their miserable condition, the power of Huey Long in the huge disaffected regions should quickly dispel it. Nor has the upheaval in the Department of Agriculture added to the administration's strength in the Northwest, where revolt has taken the form of a declaration of political independence.

In the country at large the diminution of President Roosevelt's moral force was made evident in thousands of editorials and news stories. The defeat of the World Court proposal afforded a case in point. This was hailed by the isolationist and militarist press with loud applause, of course, as "the voice of the American people." But such cheer leaders blandly overlooked the fact that it was the two-thirds rule and the vote of "rotten borough" Senators which produced the result. Gauged by every standard for measuring public sentiment, there was an overwhelming majority of people in favor of entering the World Court. Although the President did lend his support to the measure, it was felt in many quarters that he could and should have saved the cause from disaster. At all events, the upshot lowered rather than increased his standing among those American citizens who had labored long and arduously to make even this "slight gesture" to the cause of international good-will.

Still more significant in revealing the decline of the President's grip on the country were the multiplying editorials and articles bearing on the prospects for 1936. After the elections

of 1934 even leaders in the United States Chamber of Commerce and the Manufacturers Association conceded that the country was "in for six more years of Roosevelt control." A microscopic search of clippings for February and early March disclosed no such confidence anywhere, save among hack politicians. During these latter days the possibilities, nay, probabilities, of defeat in 1936 were freely granted.

Discussion turned on three contingencies by no means chimerical. That Senator Huey Long running for President in 1936 could tear away whole sections of the Solid South was accepted as a fact. That States in the Northwest, following the lead of Minnesota and Wisconsin, could readily be marshaled under an independent banner was also accepted as a fact. With 15,000,000 voters ready to stand by the Grand Old Party in the off year of 1934, astute Republican leadership, if such could be found, might by a strategic nomination slip into power through a divided country, perhaps with the election thrown into the House of Representatives, as in 1800 and 1824. Speculations of this kind growing in volume and boldness foreshadowed things far from smooth and easy.

In the judicial branch of the United States Government war was waged on the New Deal program all along the line, especially by Republican district judges cherishing what Mr. Justice Holmes once characterized as the "subtle intuitions" inherited from times past. Not even the decisions of the Supreme Court in the gold cases were "a victory for the administration," as hailed in the Democratic press; for the decisions left many doors open and were accompanied by opinions clearly designed as rebukes. And the repercussions which they made encouraged ex-President Hoover

to break his long silence with a call for a return to "a gold basis," whatever that may mean now. These judicial decisions, no doubt, were couched, in the main, in the austere language of juristic technology; but their upshot and implications were proof that ranks are breaking, not closing up, behind the New Deal and its sponsors.

The decisions of the Supreme Court in the gold cases must be examined with some care before their significance becomes apparent. There were three distinct issues up for review. The first was presented in a set of cases involving the action of Congress in setting aside the obligation incorporated in numerous private contracts to pay interest and principal in gold or a particular kind of coin or currency. On this point a majority of five judges joined in sustaining decisions of lower courts to the effect that "Congress had power to adopt the Joint Resolution with respect to these obligations of railroad companies and hence that the gold clauses could not be enforced and the bonds were payable in legal-tender currency."

The second issue came from the Court of Claims, where a holder of a Federal gold certificate claimed that he was entitled to payment in accordance with the terms of the gold obligation or its equivalent. Here the majority of the Court held that the plaintiff had shown no actual damage and that the Court of Claims could not entertain the suit.

The third issue also came from the Court of Claims, where the holder of a Liberty Bond demanded payment in terms of the gold obligation. To one question from the lower tribunal the Supreme Court replied: "We hold that the Joint Resolution of June 5, 1933, so far as it attempted to override the obligation of the United States created by the bond in suit, is invalid. It went

beyond the Constitutional authority of Congress. But we hold that the action is for breach of contract and that plaintiff has failed to show cause of action for actual damages. Hence the Court of Claims could not entertain the suit."

Although five of the nine justices agreed on the *decisions* in these cases, it is to be noted that only four of the five agreed on the *opinion* rendered by Chief Justice Hughes speaking for the court on the third and most fundamental issue up for determination. In this, the Perry case, Justice Stone rendered a separate opinion in which he declined to accept the whole of the opinion given by Chief Justice Hughes. In the close of his survey Justice Stone said: "I therefore do not join in so much of the opinion as may be taken to suggest that the exercise of the sovereign power to borrow money on credit, which does not override the sovereign immunity from suit, may nevertheless preclude or impede the exercise of another sovereign power to regulate the value of money; or to suggest that although there is and can be no present cause of action upon the repudiated gold clause, its obligation is nevertheless, in some manner and to some extent not stated, superior to the power to regulate currency which we now hold to be superior to the obligation of the bonds." In other words, with four judges dissenting and the affirmative five divided four to one in respect of a strategic element, the monetary powers of Congress have been confused rather than clarified by the opinions in the gold cases. The victory of the administration, if such it was, was soused in gall, and no clue to the future was afforded.

This uncertainty was augmented by the language employed by all the justices in the opinions rendered. Not

without some justification did Justice McReynolds, speaking for the dissenters, hint that the opinion of the court consisted of "mere generalities or multitude of words [used] to distract the mind." Chief Justice Hughes did use a multitude of words to express his opinion and they were lacking in that flawless logic and trip-hammer precision which have characterized many of his State papers. They seemed to reveal a deep inner conflict of emotions.

On the other side the oral discourse of Justice McReynolds was totally lacking in law, logic and judicial temper. He declared that the Constitution now seemed to be gone. He spoke with irony and sarcasm of the "repudiation of national obligations," of such things as "abhorrent" to him and his dissenting colleagues, of "Nero," of royal prerogative in France, of the near "wickedness" of the administration's monetary system and of the abuse of private rights. Although more temperate than his spoken words, the printed opinion of Justice McReynolds was crowded with "generalities" and a "multitude of words," indicating a constitutional incapacity to see the points at issue and stick to them.

On the whole the spectacle was not edifying or helpful to the administration, Congress or the people. Surely if Justice Holmes had been there, if he had heard the befuddled arguments of counsel, and the opinions of his colleagues, he would have said simply, as was his wont: "Please put your finger on the clause of the Constitution which you are talking about." Such a simple procedure might have produced an electric clarification of the murky atmosphere.

In a statement released on March 2 it was officially estimated that more than 389 cases involving New Deal

legislation were pending in the Federal courts. Forty-six touch AAA, while NIRA is drawn into 332 actions. The Kerr-Smith Tobacco Act, the Tennessee Valley Development Act, the Bankhead Cotton Act, the Railway Pension Act, the Emergency Transportation Act and the Silver Purchase Act are all hanging in the air of uncertainty.

A Federal court at Louisville has denied that PWA possesses the right to condemn land for slum clearance and this has drawn in question fifty similar projects in thirty different cities. The enforcement of the Coal Code has been enjoined. The Lumber Code formed under NIRA has been declared invalid. In March State recovery acts designed to support NRA were declared void by State courts in New York and Wisconsin. Hence the docket of the Supreme Court in Washington is crowded by cases of crucial importance for the economy of the United States, and the decisions of that tribunal in the oil case did not suggest that the other elements of the New Deal will escape unscathed.

It is impossible here to review even the leading adverse decisions, but a few may be chosen for purposes of illustration. In the field of utilities involving the Tennessee Valley Development, W. I. Grubb, Federal District Judge in Alabama, declared that the Federal Government had no constitutional power to compete with any private business in any State—in other words, no right to use the famous “yardstick” of the New Deal. It may, ruled the judge, improve navigation, control floods, generate power for its own uses and sell surplus power arising from “legitimate” activities; but to go beyond this into the production and distribution of electric power would be to invade the reserved rights of States. There are, beyond question,

ample precedents in the decisions and opinions of the Supreme Court of the United States for overruling Judge Grubb's decision; but given the composition of the Supreme Court and the temper displayed in the gold cases, there is no assurance that the overruling decision will come. Furthermore, if practice gives any hint to the future, it is probable that the higher decision will be delayed so long that the moral force behind the President's power program will be dissipated and channeled in a new direction.

In the sphere of labor and collective bargaining, the New Deal received a smashing blow from John P. Nields, a Federal District Judge at Wilmington, Del., in the long-drawn-out Weirton case, closed on Feb. 27. He denied the government's plea for an injunction to restrain the National Steel Company from interfering with its employees' right to select their own representatives for the purposes of collective bargaining. In the course of his opinion Judge Nields declared unconstitutional and void the now famous Section 7a of the National Industrial Recovery Act as applied to companies not engaged in interstate commerce. By making a sharp distinction between manufacturing and industry, he implied that the whole of NIRA is void in so far as it seeks to impose regulations and codes upon industries not engaged in interstate commerce as he defines it.

With accuracy and precision *The New York Times* reported that “the court's decision was received as a victory for the company union and as a defeat for the Roosevelt administration and for organized labor.” Before sailing for Bermuda on the day of the decision, E. T. Weir, chairman of the National Steel Company, expressed his gratification at the “very sweeping decision” and “the complete

vindication" of the company's position.

Other cases involving labor offered no rosy outlook for the administration. In February the National Labor Relations Board issued a review of its career for the first six months. The board, it appears, handed down sixty-eight decisions calling for compliance. In fifty-one of these cases employers simply declined to obey. Only one case was taken up by the Department of Justice—the more than celebrated Houde case—and it is still pending in the courts. Then followed the confession of the board: "The board is powerless to enforce its own decisions. * * * In ultimate analysis its 'findings' and 'orders' are nothing more than recommendations." In substance, the NLRB read to the public its own funeral oration, apparently without any raising of eyebrows in the White House.

Plans for stabilizing the milk industry, in particular milk sheds, received a stunning jolt at the hands of the Supreme Court on March 4 in another New York milk case. On this occasion the court granted a permanent injunction against the New York milk authorities. It forbade them to withhold licenses from dealers who bought milk at low prices in other States and brought it into New York for sale. By this decision dealers were given the freedom they have long demanded—namely, the right to break stabilization in local areas by importing milk from low-price regions. Such an effort at stabilization, the court held, was an invalid interference with

interstate commerce. If there is any logic at all in judicial reasoning, then a vital section of the Agricultural Adjustment Act will shortly be knocked into a cocked hat. Dealers and their allies among cooperatives will enjoy the "liberty" they have been working for since 1933.

While lower courts were knocking the legal props from under the New Deal, Congress sought to overcome the effects of the Supreme Court's decision on Section 9c of the NIRA. On Feb. 22 it sent to the President a bill prohibiting the interstate shipment of oil illegally produced and authorizing the President to suspend the ban on such shipment in certain circumstances. Thus Congress hoped to escape the charge of delegating legislative power to the Executive branch. Secretary Ickes declared that the measure did not go far enough but would afford some control over the waste and inefficiency of the oil industry. Meanwhile something like chaos reigned in that economic kingdom.

It may be that news of what is going on in the world has broken through the President's cordon of secretaries—through that "closely watched servitude which is mocked by the name of power." It may be that he is employing grand strategy in allowing Congress to demonstrate incapacity for constructive statecraft. It may be that he is maturing in his own mind great strokes of policy in domestic and foreign affairs that will snap the high tension and restore his prestige. But that belongs to intuition, not to history.

Canada's Pre-Election Fight

By J. BARTLET BREBNER
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THE Canadian Parliament has by almost unanimous votes ground out the legislation of Prime Minister Bennett's State socialism as fast as it has been offered. The Unemployment Insurance Bill has been passed, as have resolutions approving the eight-hour day, the forty-eight-hour week and a compulsory weekly day of rest. The Natural Products Marketing Act has been taking hold from Nova Scotia to British Columbia as various groups of producers have applied for marketing controls and the Farmers' Creditors Arrangement Act, after facilitating a fair number of direct settlements, has reached the stage of consigning cases for arbitration to the untested Board of Review.

Yet the Liberal and Socialist oppositions, in spite of Mr. Bennett's autocratic pressure, have succeeded in producing some impression of unreality about the whole program. Socialist strategy has been to cooperate with Bennett and jeer at Liberal economic antediluvianism, but at the same time to point out the timid, utterly inadequate scope of government schemes. The Liberals claim that the legislation is theirs as much as Bennett's, but have steadily insisted that it was foolish to legislate when all past precedent made it clear that the laws would be thrown out by the courts as exceeding the powers of the Federal Government.

Mr. Bennett has long been impatient of the barriers to Federal power set up by the British North America

Acts as interpreted by the Canadian Supreme Court and the Judicial Committee of the Privy Council. The Premier's recent closely argued speeches clearly indicate that he believes that the judges can be convinced of the principle of constitutional growth. He has used the arguments of the Federal treaty power, has quoted the recent favorable radio and aviation decisions, and seems determined to build up a new doctrine of emergency Federal powers based on the "peace, order and good government" clause of the Constitution. If, in his efforts for social legislation, Mr. Bennett can get more unity into the Canadian Federal Constitution, he will have removed shackles from the Canadian central government that have restrained it for seventy years, chiefly to protect the minority position of Quebec. In further support of these aims, a special Parliamentary committee of nine was set up on Feb. 12 to consider the working of the Constitution and to recommend changes.

The impression of unanimity given by the votes for the new program revived speculation about a possible National Government. Yet Mr. Bennett has been too autocratic to share government with any one; Mackenzie King, the Liberal leader, believes that he will in any case win the 1935 general election, while Mr. Woodsworth, the Socialist leader, has remained consistent in his disbelief in any form of capitalistic salvation.

The railway problem gave point to

the talk of coalition. E. W. Beatty, president of the Canadian Pacific Railway, in a forceful speech at Regina, continued his long campaign for unification of his system with the National Railways. At the same time Mr. Bennett voiced his alarm over the deficits of the national system and questioned the wisdom of leaving the problem to the vagaries of party politics. Simultaneously, the Minister of Railways ruthlessly forced through the Commons a bill supplanting the firm of auditors that had served the national system for the past eighteen years. These auditors, in carrying out the new statutory instructions of 1933, had reported that the capital structure of the railways and the national debt of the Dominion should be readjusted by cancellation of over \$1,000,000,000 of misleading or meaningless obligations hitherto debited against the railways. Whatever skepticism was felt about a coalition government, there were grave fears that the government's response to the call to clear up the capital structure of the publicly owned system implied some kind of sacrifice of its competitive position in relation to the C. P. R.

While it has been impossible to get out the apparently voluminous final report of the Royal Commission on Business Practices, the first of a series of draft sectional reports was made public on Feb. 16, thus providing useful ammunition for the Bennett legislative program. The commission recommended constitutional revision to permit enactment of national minimum-wage and maximum-hour laws, and Parliamentary encouragement of trade unions and collective bargaining. It described the deplorable labor conditions it had found and in reference to Quebec said bluntly: "It is unthinkable that local patriotism can continue successfully to resist the de-

mands of national welfare. Most of the Provinces were meanwhile tightening the operation of their Wage Boards, and Ontario and Quebec, both of which contend that Federal regulation is unconstitutional, were collaborating in setting up common regulations.

THE GREAT WHEAT VENTURE

Since December, 1930, the Canadian Government, through its agent, J. L. McFarland, has been trying to sustain the wheat market by unrevealed operations in margins and futures. It has cooperated with the United States and Australia in the vain effort to get Argentina to consent to export quotas. Relying on the average world market and on the superior quality of Canadian wheat, it has kept the Canadian price from 10 to 15 cents above equivalents at Liverpool and it has been aided by two successive short crops in North America. At the end of 1934 Mr. McFarland was generally believed to hold margins for 240,000,000 bushels out of about 255,000,000 bushels visible. During the Summer and Autumn he had expressed his belief that a world shortage would by Aug. 1, 1935, wipe out the Canadian surplus. In an effort to counter what he believed to be foreign bear raids on the Winnipeg Exchange, he pegged prices there during the Autumn.

On March 1 the Canadian visible supply was 240,704,000 bushels, over 11,000,000 bushels more than a year before. Despite the fact that most of the new Australian crop was going to the Orient, the Canadian export movement to Europe was very slow and the price remained just above the pegged level. The Continental European market remained far below its average of five years ago; Argentine wheat in apparently inexhaustible supply was being sold in Liverpool for about 20 cents a bushel less than

No. 2 Northern, and foreign grains were underselling Canadian, even in the distress market in the United States. Mr. McFarland, however, stuck by his guns fairly steadily, and in a speech to his critics at Moose Jaw on Feb. 14 he drew upon Broomhall's revised estimates for 1934-1935 to demonstrate to his own satisfaction that Canada would reduce her carryover certainly to 100,000,000 bushels and possibly to 81,000,000 bushels by Aug. 1. That would involve more than quadrupling the rate of export during February.

The average price of the government's purchases was not public, but prolonged pegging operations seemed to imply that it must be above the present world price and that the Treasury would face a serious loss if the grain were moved out in competition with Argentina. Secrecy added to popular concern over the gamble and this was deepened by the introduction in the Dominion House of Commons on Feb. 28 of a vague resolution which was interpreted to mean creating a compulsory national grain board to control production and marketing. The whole situation disturbed all those who believed that marketing controls were likely to ignore world prices and thus benefit producers only at the cost of the domestic consumer and the taxpayer.

THE PAPER WAR

At the beginning of March the opposing forces in the North American paper war were back in the trenches. The effort, encouraged by Prime Minister Taschereau of Quebec, to raise the price of newsprint progressively to \$42.50 and \$45 a ton during 1935, had been defeated by the American consumers and the threatened punitive

Quebec legislation had not emerged. While Quebec could force the producers into line by raising water rates, stumpage duties and diameter regulations, she would in turn encourage competition from the rest of Canada, Scandinavia, Russia and the Southern United States. Moreover, the whole complex of the United States market, American investment in Canadian plants and American and European competition were deeply involved in the current negotiations for a trade agreement between Canada and the United States.

CANADIAN BUSINESS

Recently published figures on Canadian unemployment and relief show the situation to be bad, but somewhat better than in the United States. The peak was in April, 1933, when 1,519,706 were on relief out of a population of about 10,650,000. At the end of 1933 the figure was 1,225,701; at the end of 1934 it was 1,207,345, with 1,027,649 on direct relief, 159,064 on drought relief and 20,632 in labor camps.

During January, for the first time since April, 1933, exports were less (6 per cent) than twelve months before. Imports were 15 per cent greater, maintaining an advance that has continued since July, 1933. The balance, while still favorable, was half of the 1934 amount and at the January, 1933, level.

During the first week in March the Canadian-American exchange rate was suddenly upset. From March, 1934, to January, 1935, the Canadian dollar was at a premium in New York. During February the pound and the two dollars maintained an approximate parity. The fall of the pound, however, carried the Canadian dollar down to over 1½ per cent discount.

Argentina Regains Confidence

By HUBERT HERRING

ARGENTINA is catching her breath after the rigors of a depression and is forging ahead with impressive vigor. The country has suffered a mild case of dictatorship under President Justo, but it is a dictatorship with checks and balances, and, compared to the tidy autocracies of Venezuela's Gomez or Peru's Benavides, appears quite democratic. Justo governs through a coalition Cabinet which roots his government in the realities of the national political scene. Furthermore, parties are again becoming active.

A significant test of strength occurred on Feb. 7, when an uprising in the Province of Buenos Aires resulted in the temporary unseating of Martinez de Hoz, the Provincial Governor. The trouble was ostensibly provoked by the Governor's alleged corruption of the public service; actually it was one phase in the struggle to secure recognition of the party system. President Justo took energetic action, suppressed the revolt and reinstated Martinez de Hoz. This was regarded in Argentine circles as proof of the President's strength. But matters are complicated by the report early in March that the Governor had defied the President upon his reinstatement by setting up a Fascist Cabinet, and dispatches from Buenos Aires on March 8 indicated that Martinez de Hoz would be impeached and that the Federal Government had withdrawn its support.

Argentina is troubled by her German residents. Early in February

there came to light a well-developed Nazi plot to attack the German Lutheran church, the anti-Nazi German newspaper and a large theatre which was staging an anti-Nazi play. This struggle between Argentine Germans of different political faiths may represent simply the carryover of Old World animosities, or it may be that the anti-Nazis and the Nazis are being used by rival Argentine political groups. The country has long suffered from the presence of large unassimilated foreign groups; the German, Italian and Spanish colonies have done much to retard the development of united national feeling. The German colony, in which Nazis dominate, is especially vocal. Argentine leaders would rejoice if Adolf Hitler would call his shouters home.

Economically, Argentina stands in an increasingly favorable position. Imports for 1934 increased by 23.7 per cent over 1933, and exports by 28.3 per cent. The United Kingdom continues to be Argentina's best customer, taking 36.8 per cent of her total exports in 1934 as against 34.8 per cent in 1933, and providing 22.5 per cent of the total imports, as against 21.4 per cent in the previous year. American purchases from Argentina declined from \$28,842,000 in 1933 to \$23,958,000 in 1934, while Argentine purchases from the United States increased from \$40,656,000 in 1933 to \$50,094,000 in 1934. In the meantime, Argentina shows an increasingly satisfactory balance of trade, amounting in 1934 to 328,000,000 pesos (\$108,240,-

000), as against 223,600,000 pesos (\$73,788,000) for 1933.

LATIN AMERICA AND JAPAN

The Japanese trade drive on South America has awakened the economists of Brazil, Peru and Chile to the fact that there is too great a discrepancy between Japanese sales and Japanese purchases. Despite the absence of reliable figures, Japanese traders have unquestionably made rapid and spectacular inroads in virtually all the twenty Latin-American Republics. The increase in Peruvian imports from Japan between 1928 and 1934 was about 200 per cent. Peru has been buying from four to nine times as much from Japan as Japan has been buying from Peru. During the period 1929-33, Japanese exports to Argentina increased over 100 per cent, while those from the United States, Great Britain and Germany decreased. Brazil bought 113 per cent more from Japan in 1933 than in the preceding year. Cuba increased her purchases 173 per cent in 1933 over 1932.

The explanations are various. Japan, with a depreciated currency and extremely low labor costs, can undersell her competitors. Furthermore, the Japanese have proved excellent salesmen. They have adapted their goods to the Latin-American market to a degree not true of either Great Britain or the United States. They have played upon the widespread fears of North American imperialism. They have dilated upon the probable Oriental roots of American Indian racial stocks. They have sent cultivated Japanese to Latin-American capitals and have invited distinguished Latin-Americans to visit Japan. They learn the languages of the country with which they trade. I have heard in Lima a Japanese commercial attaché give a lecture in excellent Spanish. In

Rio de Janeiro I heard one of the secretaries of the Japanese Embassy speak on life in Japan to a Brazilian audience, and I was assured that he spoke letter-perfect Portuguese. In conversation with him I found his English impeccable.

Latin America will undoubtedly place increasing curbs upon Japanese trade, especially where Japan is not able to assure a greater measure of reciprocity. The stubborn fact remains that Japan can produce and sell a host of articles at a price that competitors cannot touch, and that the Japanese has proved himself a matchless salesman. American economists, who are worrying over Japanese trade with Latin America, might do well to advise American salesmen to study Japanese methods.

THE BRAZILIAN TRADE TREATY

The Brazilian Trade Commission spent the first days of February in Washington, were properly wined and dined, rejoiced with Secretary of State Hull over the signing on Feb. 2 of the reciprocal trade pact, and discussed many things of interest to the two countries. The details are locked away in the notes of the men who did the talking, but some things are clear.

First of all, Brazilians are regretfully but firmly certain that they cannot pay all their debts. There is not exchange enough. They can pay the charges on their foreign debt, or they can pay for the imports they receive, but not both. This comes as a painful shock even to nerves calloused by a series of foreign defaults.

Next, the subject of cotton sticks as a burr in the side of Brazilian-American relations. The Brazilians prefer to minimize the importance of cotton, but there is no escaping the facts. The United States, through its AAA program, has drastically cut

American production, thinking thereby to ease the domestic and the world cotton market. Forthwith Brazil, together with other cotton-producing countries, proceeded to undo the work by rushing into the cotton business with a vigor alternately imposing and threatening. Ships bound from American to Brazilian ports are carrying heavy consignments of cotton machinery. Brazilian exports of cotton are increasing by leaps and bounds. The Sao Paulo papers belittle the cotton business. It amounts to nothing, they say; coffee is the Brazilian crop.

We can only guess what was said by the distinguished spokesmen of our State Department to the distinguished representatives of Brazil, but this guess is as good as the next one. The Americans probably said to the Brazilians: "Gentlemen, we are the best customers for your coffee. In fact, if you do not sell us your coffee, you are done for. The new trade agreement, now so happily signed and on its way to the Brazilian Congress, continues coffee on the American free list. We will continue to take your coffee, charging no duty on it and assuring you of a steady and profitable market. But we invite your attention to the fact that you are entering into competition with us at a point where we are already a bit sensitive—cotton. We will play ball with you on coffee; perhaps you might play ball with us on cotton. There are other countries that can produce, that are eager to produce, more coffee." The argument may have its effect upon the expansion of the Brazilian cotton business.

THE CHACO WAR

Striking back at the League's lifting of the arms embargo on Bolivia, and the tightening of the embargo on Paraguay, Paraguay has withdrawn from the League (see page 62). This

leaves the League holding a rather empty bag. Paraguay is in a fairly impregnable position by reason of her possession of all the disputed territory, her strong backing from Argentine and British commercial interests, and the certainty, now that she has victory so nearly in her grasp, that she will be able to buy needed arms in spite of the League's proscription.

On the other hand, February witnessed substantial Bolivian successes. The Paraguayan troops, by their gains in December and January, are fighting far from the home base. They have concentrated their attacks upon Villa Montes, the key to the control of the Bolivian oil fields. The opposing forces met on Feb. 18 in what may prove to be the decisive struggle. The advantages at the time of going to press seem to be on the side of the Bolivians.

Dictatorship in Cuba

The students of the University of Havana in February began a strike which spread into all the high schools and technical schools of the island. The demands, supported by the faculty of the university, were for adequate financial provision for the schools, the ending of military dictatorship over education and the restoration of constitutional rights. In response, two members of President Mendieta's Cabinet—the Ministers of Education and of Commerce—resigned their posts. Widespread violence was reported, chiefly in Havana. On the night of Feb. 15, for example, forty-five bombs exploded in the capital. The youth of Cuba, which learned so well the arts of violence during the Machado days, had not forgotten their cunning, and many a fashionable home in the Vedado again became an arsenal.

President Mendieta, under stress of these events, daily showed himself

more impotent, alternately yielding to the more insistent demands of the Opposition and striking back with more severe restrictions upon constitutional rights. Then, early on the morning of March 9, he established a dictatorship with the consent of the Cabinet and the Council of State, suspended constitutional law, except as it affects foreign treaties and international obligations, re-established the death penalty and appointed military Governors to the Provinces.

THE MEXICAN SITUATION

Dr. Francisco Castillo Najera, Mexico's new Ambassador to Washington, faced a variety of delicate and difficult task when he assumed his post in mid-February. The church war continued. On Feb. 12 the Cardenas administration announced that henceforth no religious literature could be sent through the mails. On the American side, Senator Borah still pressed for a Senatorial investigation and Secretary Hull countered by urging that Mexican religious troubles be considered as the internal affair of a sovereign State. Members of both the Senate and the House in Washington condemned Mexico, and Representative Connery of South Carolina demanded that Ambassador Josephus Daniels be recalled because of his friendly attitude toward the Calles program.

The land question, moreover, has again come to the fore. The carrying out of the Mexican agrarian program, to which President Cardenas is firmly committed, brings up the issues that all but precipitated intervention in 1927, for expropriation inevitably affects American-owned lands. In February the government took possession of two-thirds of a 4,000-acre ranch in the State of Tamaulipas, the property of the J. J. Fernandez estate of Brownsville, Texas, and divided the

area among Mexican agrarians. This was done, it was said, with due regard for Mexican law, and compensation is promised. Nevertheless, the fat is in the fire. Protests have been made to the American Embassy and to the Mexican courts. But the mood at the State Department in Washington has changed greatly since the days when Mr. Kellogg was Secretary and Ambassador Sheffield represented us in Mexico, and it seemed unlikely that diplomatic pressure would be exerted.

In the meantime, the Mexican internal situation steadily improves. The loudly heralded revolution of the Villareal-Vasconcelos forces seems quiescent. Shifts within the Mexican Cabinet are discussed, but President Cardenas appears to have his forces well in hand, and with the backing of ex-President Calles goes confidently on. The economic situation has so far improved as to lead Mexicans to boast that their depression is over. Both imports and exports for the year 1934 show a gain over the preceding year of almost 100 per cent. Government income in January, 1935, was double that in January, 1934. Altogether, Mexico is in a prosperous condition, despite the threats of revolution and the highly delicate church situation.

HAITIAN TROUBLES CONTINUE

The sailing of the last American marine did not settle Haiti's troubles. Now there is contention over the purchase of the National Bank of Haiti from its New York owners. This was solemnly agreed to in the covenant signed by Washington and Port-au-Prince. The provision was hotly contested by a group of eleven recalcitrant Haitian Senators, including some of the most honest and undeniably patriotic leaders of the island. They said, in effect, that the New Yorkers had long since forfeited their

moral rights in Haiti, and that they did not deserve to be paid off. President Stenio Vincent countered by proposing a national plebiscite in which the people would say whether they wished to buy the bank or not. The rebellious Senators announced that the proposed plebiscite was illegal and meaningless and declared that they would not be bound by the results.

The voting was held on Feb. 10, however, and President Vincent got his verdict—454,357 for the purchase and 1,172 against it. The Senators were obdurate and were thereupon

expelled. On Feb. 23 the Chamber of Deputies elected eleven men to fill their places, and President Vincent had a clear majority in both houses. While this opens the way for carrying out the provisions of the covenant with Washington, it creates one more sore spot in Haitian political life, and puts a severe strain upon the development of sober political institutions. It also furnishes ammunition for those who insist that Washington, having foresworn intervention, goes on merrily governing Haiti through the acquiescent Stenio Vincent.

Pepper and Politics in Britain

By RALPH THOMPSON

FEBRUARY and the first days of March brought mild weather to England; crocuses burst into bloom and farmers began their Spring plowing. But for Ramsay MacDonald and his National government the winds of Winter still blew. One chill blast came directly from the Ministry of Labor with the announcement that unemployment had risen 239,000 from Dec. 17 to Jan. 28. Another swept in from Mincing Lane with a series of speculative failures dangerous enough to send shivers up and down the spine of financial London. Sir William Beveridge, director of the London School of Economics, uttered cheerless words in a radio speech on Feb. 19. Was Britain, he asked, on the brink of another depression?

There were all sorts of answers. *The Economist* monthly index for January showed business activity at a record high. The Board of Trade's report on 1934 imports and exports was not discouraging, with an adverse balance,

allowing for both visible and invisible items, of only \$5,000,000. Reginald McKenna, chairman of the great Midland Bank, told his shareholders that "the crisis had been overcome." Yet the government could hardly feel confident with a 10 per cent rise in unemployment, and the motion of censure attempted in the House of Commons on Feb. 14, while it of course did not come within striking distance of success, was a clear statement of the tune to which Mr. MacDonald, if not the entire Cabinet, will one day have to dance.

The Mincing Lane failures were precipitated by greedy dealings in the pepper market. Speculative interests sought to raise the price by cornering the supply. The price went up easily enough (it more than doubled between the end of 1933 and the end of 1934), but it went up so high that it defeated the purpose of speculators and drove at least a few consumers to direct dealings with producers rather than

with London brokers. Those engaged in the deal suddenly found themselves possessed of a fantastic supply of pepper and a mountain of debts they could not pay. The outcome is obvious. On Feb. 7 the ringleading firm went down in ruins, and then came a series of noisy smashes as one by one other firms were unable to collect what was owing to them. Friendly bankers stepped in to avert a total crash, but a week's moratorium on pepper dealings had to be called, and all financial London trembled as if under a shock.

The pepper corner was hardly Prime Minister MacDonald's fault. Yet, since it was but one of a series of almost simultaneous disorders in the commodity markets, political repercussions were inevitable. Late in January Strauss & Co., grain dealers, had collapsed in one of the worst business failures since the Hatry débâcle of 1929. On Feb. 21 was announced the voluntary liquidation of Francis Willey & Co., generally regarded as the world's leading wool merchants. When, a few days later, it became known that a private as well as an official pool was manipulating the value of tin, the price of that metal promptly sank to the lowest in years.

In the House of Commons, meanwhile, a series of pointed questions was being thrust at government spokesmen, and on the stock exchanges gilt-edged securities slumped in value under a wave of selling. Was the government about to disintegrate? Were the commodity upsets due, a Liberal member asked in the Commons on Feb. 14, to "a scandal equaling the Stavisky affair in France?" Would the government take action against those responsible for these troubles? Would there be an immediate investigation into the position in those commodities which had not yet suffered?

To these inquiries the government had ready if not completely satisfying answers. There would be no early election—that was definitely stated by Neville Chamberlain at Birmingham on Feb. 15. Action in regard to the pepper pool would not be taken before the official bankruptcy report had come to hand. On Feb. 19 Sir Philip Cunliffe-Lister, Colonial Secretary, flatly refused to order an investigation into commodity dealings—a refusal which inspired a Labor member to inform the House that the government apparently "wishes to hush matters up." But whether or not the Opposition chose to take umbrage at the official attitude, the financial world was comforted. With the first week in March, security values had once more risen, and British confidence in British credit seemed restored.

Throughout these exciting days the business of Parliament went steadily on, with Mr. MacDonald and his colleagues suffering yet another sequence of rude jolts because of their unemployment relief policy. Their confession of error regarding the new relief payments may have been good for their souls, but it did not offer much satisfaction to the workless people themselves, and in several parts of the country there was window-smashing and rioting even after the promise of improvement had been given. The concessions themselves were embodied in the Unemployment Assistance (Temporary Provisions) Bill, which was rushed through both houses of Parliament and received Royal assent on Feb. 15.

A few days later the Commons accepted the government's plan for solving the puzzling question of meat imports. The existing subsidy to the British livestock industry was extended until July 1; after that date, according to the new scheme, the

quantitative restriction on imports will be abolished, and farmers will be subsidized with the proceeds of a meat tariff. But more sensational than this provision was the announcement during the first week of March that the appropriations for the army, navy and air force were being expanded more than \$50,000,000 over those for 1934. Cries of "Tory militarism" were heard in some quarters, and indeed it did seem that the government had lost faith in the machinery of peace and the prospects of disarmament. The Opposition felt that Mr. MacDonald and the Ministers responsible for the new policy had dropped yet another notch in the public esteem.

Winston Churchill had been at pains to declare in a speech on Feb. 22 that in Mr. MacDonald "the country, the government and, above all, the Conservative party are carrying a most grievous burden," and on the same day David Lloyd George, smarting from the rather cool reception his proposals of cooperation had met in government circles, told a Manchester audience that the Prime Minister had broken his promise to examine the plans for a British New Deal put forward at Bangor in January. On March 1, however, Mr. MacDonald asked for complete details of the New Deal, and Mr. Lloyd George promised to send them at the earliest possible moment. "Ever sincerely" he signed himself to the letter of acceptance, and England sat back to await the verdict.

THE INDIA BILL

The Government of India Bill passed its second reading in the Commons on Feb. 11. In the division Winston Churchill and seventy-eight die-hard Conservatives filed gravely into the Labor lobby, quite as if Dominion status for India were their fondest hope instead of their worst night-

mare. But any port in a storm. The significant committee stage opened on Feb. 18, and the expected series of amendments began to appear before the House. One after one, however, they were rejected by the government's powerful majority, and not until Mr. Churchill attempted to kill the measure by declaring that the Indian Princes would not accept it was there any serious hitch. Even this threat failed as Sir Samuel Hoare, Secretary for India, declared that there was nothing in the Bombay resolutions that could not be met by easily-effected changes in London.

What actually happened in India was this. In January the Princes had agreed that with modification the Federal scheme embodied in the Government of India Bill would be satisfactory. Meeting at Bombay on Feb. 25 they re-affirmed their objections, citing specific provisions with which they found fault. But in these resolutions there was, despite Mr. Churchill's contention, no threat of rejection. Ample proof of this came when, on Feb. 28, the Chamber of Princes took the trouble to deny the rumors of their disaffection and to declare again that they sought merely to safeguard their sovereignty "without changing the structure of the bill."

In British India recent reactions have been less kind than those in the native States. A motion in the Legislative Assembly for outright rejection of the Federal scheme, brought forward by Congress leaders on Feb. 7, failed of success by a narrow margin. But when Mr. Jinnah, leader of the Independent Moslem party, put forward a motion declaring among other things that the Federal scheme, while an improvement over the present Constitution, was fundamentally bad and unacceptable, the Opposition mustered its strength and defeated

the government by a vote of 74 to 58. A week later the Bombay Legislative Council refused to consider the Select Committee's report. Only the Council of State, the upper house of the Indian Legislature, declared itself in favor of the proposed Constitution.

In Burma the voting on the report of the Select Committee was attended by a political upset. Although a motion for rejection of the constitutional changes was defeated, the Burmese members on Feb. 22 voted the removal of Sir Oscar de Glanville, president of the Legislative Council, on the charge of his having restricted debate. A similar rebuke was administered last August, but the Governor refused to concur, and instead dissolved the Council. According to Rangoon dispatches, U. Chit Hlaing, Opposition leader, was elected to the post on Feb. 27.

ANGLO-IRISH RELATIONS

Despite high hopes on either side, the month of February passed without visible improvement in the relations between Great Britain and the Irish Free State. The much-debated Citizenship Bill, which had already completed all its stages in the Dail Eireann, passed the report stage in

the Free State Senate on Feb. 6, and became yet another point of difference between London and Dublin. The early days of March went by without agreement upon the question of lowered duties for Free State cattle and British coal, and in new tariffs imposed upon imports of cutlery and refrigerating apparatus Mr. de Valera's government showed again its economic nationalism.

J. H. Thomas, British Secretary for the Dominions, did not help matters by a speech made in London on Feb. 14. A settlement of differences would be especially welcome in the year of the King's Silver Jubilee, he declared, but the Free State would have to recognize "the sanctity of agreements" and its share in the responsibilities of the British Commonwealth of Nations. Mr. de Valera thereupon chose to feel offended, announced that the Thomas speech "brings the position back to what it was three years ago," and made a little speech himself to the effect that for 750 years the Irish people had honored their agreements and had recognized their common interests with Great Britain. But (and this in reality starts the argument all over again) they would not submit to British domination.

Recovery Eludes France

By E. FRANCIS BROWN

SUSPENSE, that favorite device of drama, has in recent weeks provided the chief interest in French affairs. Business activity has continued to languish; social unrest has by no means abated; the many-sided crisis, described by Paul Einzig in these pages last month, remains unsolved.

The government has lost some of its aggressiveness. No longer are its measures railroaded through Parliament. Though the strength of the Cabinet has not been greatly impaired, votes in the Chamber on several occasions have indicated increasing opposition. On certain questions

discussed in Parliament it has been evident that not all the Ministers were in agreement.

The government's plan for organizing industry in cartels was before the Chamber throughout the month. Paul Marchandeau, Minister of Commerce, defended the bill before the Chamber on Feb. 14. Pointing out that bankruptcies had reached the alarming total of 1,447 for the month of December, 1934, he insisted that industry must be allowed to organize itself in such a way that overproduction and cutthroat competition could be restrained. Labor interests have been hostile to the plan, describing it as a proposal to reduce French labor to the "coolie level." Radical Socialists advanced the familiar argument that not restricted production but greater purchasing power was necessary to bring prosperity.

Seemingly more than a system of cartels will be needed to restore French business, which has steadily gone from bad to worse. The clearest indication of what is happening is given by the persistent rise in unemployment. By the end of February more than 500,000 were registered as unemployed—a total which was actually not more than a third of the real number out of work. In addition it was estimated that 48 per cent of French labor was not working full time. To care for this growing army of jobless the government has proposed work camps.

Though a public works program and a dole system are in effect, Premier Flandin opposes going further with either. He pins his faith on a revival to be brought about by lower interest rates, liberal credits and deflation. Officially, at least, he maintains his insistence that the franc must not be devalued and that inflation must be avoided.

After bringing great pressure on the Bank of France the government on Feb. 21 finally succeeded in obtaining thirty-day loans on short-term treasury bonds. Interest rates on such advances were fixed at $2\frac{5}{8}$ per cent, compared with the regular rate on securities of $4\frac{1}{2}$ per cent. Premier Flandin wanted the bank to reduce the rate on all security loans, but the regents refused. While the bank's concession was expected to loosen credit somewhat, it did not go far enough to meet the government's desires. Meanwhile, the spectacular fall in the pound sterling in late February and early March threatened to upset the French determination to maintain the franc.

The inability of the franc to compete in the world markets with devalued currencies has been manifest in the monthly foreign trade reports. In January, 1935, exports were valued at 1,451,000,000 francs, compared with 1,579,000,000 in December, 1934, and 1,514,000,000 francs in January, 1934. Imports, however, rose in January—from 1,849,000,000 francs in December, 1934, to 1,944,000,000 francs.

To high prices, resulting in part from French retention of the gold standard, is attributed the severe decline in the tourist business, once a chief source of French prosperity. In 1934 only 700,000 tourists visited France, compared with 2,125,000 in 1927. The invisible returns from this trade have dropped from 10,000,000,000 francs in the boom years to 2,000,000,000 francs.

A direct reflection of economic conditions is found in the Peasants' Front, an organization of farmers which among other things is opposed to the government's agrarian policy. Henry Dorgère, leader of the Front, urged during February that his followers start a taxpayers' strike and withdraw their funds from the savings banks.

So inflammatory did the leader's speeches become that on Feb. 28 the government asked that he be prosecuted. This demand led to heated exchanges in the Chamber of Deputies. Premier Flandin on March 1 told the Deputies that the Peasants' Front "need expect no quarter from the government." The Chamber supported his stand by a vote of 427 to 126.

When Frenchmen could forget their economic woes there were other public questions to consider. A proposal to grant woman's suffrage, ably championed by Mlle. Louise Weiss and *Le Matin*, was adopted by the Chamber on March 1. Agitation has been heard for extending military service to two years. While the international situation helps to explain this proposal, the fall in the number of available conscripts is the immediate cause. The lower birth rate during the war years is only now beginning to affect the man-power available for the army. Finally, the Stavisky affair still echoes through French life. The Parliamentary commission of inquiry on Feb. 20 absolved former Premier Chautemps and the late Georges Pressard, his brother-in-law, of complicity in the mysterious death of Magistrate Albert Prince.

THE FRENCH COLONIES

The French colonial empire, which seldom figures in the news, has sprung into prominence as a result of the Colonial Conference which for weeks has been sitting in Paris. The conference aims to establish the empire as an economic unit, to carry still further the trend that puts Algeria first among the customers for French goods and Tunisia and Morocco fifth and seventh.

Continued disturbances in Algeria indicate the need for changes in colonial policy. At Algiers on Feb. 26

3,000 dock workers pillaged the wine tanker Bacchus in a riot prompted by the introduction of mechanical loading equipment. At Mostaganem on the same day a riot of unemployed occurred.

These incidents are the result of the economic distress in Algeria, where there is a good deal of dissatisfaction over restrictions on exports to France. Taxation is heavy; the tourist trade has declined; and there is religious strife between the Moslems and the Jews, largely because the Moslems are not allowed to vote. In addition there is a political struggle in progress between the Governor and the Legislature. Official recognition of the need for action was given at the end of February when it was announced that Marcel R gnier, Minister of the Interior, would visit Algeria to study its problems.

BELGIAN LABOR'S DISTRESS

Belgium, even as France, apparently cannot find the road to recovery. At least there are no signs that the nation is moving toward better times. Foreign and domestic trade remains stagnant, while unemployment swells.

King Leopold on Feb. 10 signed a decree establishing a national labor commission to study unemployment and ways of combating it. All parties agreed to cooperate with the new body, with the result that eight Catholics and nine Socialists were included among its twenty-one members. The labor commission will have no easy time. At least 400,000 Belgians are without work and the unemployed are not accepting their lot philosophically.

A demonstration of the unemployed occurred on Jan. 29, when Parliament assembled, and a delegation from the workers was received by the King. Recent restrictions on the granting of

out-of-work benefits have aroused the ire of workers and Socialist leaders. At the end of January the coal miners threatened a general strike if the cuts in miners' pensions were not restored. The strike was avoided when the government agreed to reconsider the emergency decree reducing pensions.

No sooner had this threat been removed than another appeared. The Socialist party, in protest against the government's deflationary policy, particularly in regard to pensions and doles, organized a mass demonstration to be held in Brussels on Feb. 24. When the government, in the name of public order, forbade the demonstration, the Socialists declared that the Constitution had been violated. M. Vandervelde, the party leader, insisted that if necessary an appeal would be made to the country. Following a Parliamentary debate on the government's action a vote of confidence was taken; the government won by a narrow majority, 89 to 73. As further protest against the government, the Socialist members of the National Labor Commission resigned.

Meanwhile the Theunis government clung to its policy of deflation and loyalty to the gold bloc. An additional 2,000,000,000 francs was extended by the government to the banks in order to thaw out credits frozen in mining and industry. Moves to reduce retail prices continued. And government expenditures have been reduced drastically.

Camille Gutt, the Minister of Finance, submitted the budget to Parliament late in January. He estimated receipts at 9,842,454,000 francs and expenditures at 9,902,584,000 francs. The apparent deficit was expected to be wiped out during the debates on the bill. An extraordinary budget for public works, carrying 800,000,000 or

900,000,000 francs, was to be met by a government loan. M. Gutt declared that expenditures had been reduced 30 per cent since 1930, but pointed out that 41 per cent of all expenditures in the 1935 budget would have to go to fixed charges. Thus there is a limit to economies. Throughout the Parliamentary debate on the budget bill, the government insisted that deflation, not devaluation, would be pursued until Belgium had recovered its former prosperity. The government contended that its policies had brought Belgian prices into line with British, but the slump of the pound quickly endangered this precarious price structure.

To alleviate the social distress of the country, various measures have been adopted. Camps in which the unemployed may be taught a trade are being established. A back-to-the-land movement has been fostered by the Small Rural Property Society, which the government is financing.

Ultimately Belgian recovery depends upon a recovery of the export trade, the basis of the national economy. Former markets in Great Britain, France and the United States have been lost, at least partially, and new markets in Scandinavia, South America and the Far East do not compensate for this loss.

A reciprocal trade agreement between Belgium and the United States was signed on Feb. 27. Tariff reductions averaging 24 per cent were granted by the United States on forty-seven Belgian products, including plate glass, glass sand, cement, linen fabrics, lace and iron and steel products. The agreement was not nearly so sweeping as had been expected, and held out slight promise of any substantial improvement of Belgian trade with America.

The Return of the Saar

By SIDNEY B. FAY

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THE return of the Saar on March 1 filled the minds of the German people during the month of February. Before the formal transfer of the region many preparatory steps were necessary. Demilitarization of the territory, which borders on the already demilitarized Rhineland zone, was insisted upon by France and finally agreed to by the German Government. Other regulatory details concerning the transfer of the mines, railways and other State property, social insurance and tariff arrangements were settled by an agreement signed at Naples on Feb. 18. Meanwhile, a large number of Saar Communists and some Jews and Catholics—perhaps 10,000 in all—had gone into exile in France.

The customs houses at the border between France and the Saar were transferred by the French on Feb. 18, and the tariff barrier between Germany and the Saar ceased to exist. On the same day the monetary system was changed, German marks taking the place of French francs, which had been introduced into the Saar in 1923. It was estimated that by this exchange the German Government might be able to gather up nearly 200,000,000 francs, a sum smaller than had been hoped for, owing to the fact that millions of francs were transferred to French banks in the days following the plebiscite. The balance of the payment for the coal mines, amounting to 700,000,000 or more francs, will, therefore, have to be paid in deliveries of Saar coal to the French,

according to agreement, during the next six years.

The British, Dutch, Italian and Swedish troops, which entered the Saar at the invitation of the League of Nations to insure a peaceful and orderly plebiscite, had been gradually withdrawn by the latter part of February. Chancellor Hitler appointed Joseph Buerckel as Nazi Commissioner for the Saar to take over the branches of the administration as they were relinquished by Geoffrey Knox, President of the Saar Governing Commission, and by the other League authorities.

A decree issued by Commissioner Buerckel on Feb. 19, just after the removal of the customs barrier between Germany and the Saar, forbade the sale or transportation into Germany from the Saar of many food products and certain other articles, including textiles. This was because living costs and the general price level have been lower in the Saar under League control than in Germany; it was felt desirable not to let the Saar prices move upward too suddenly. On the other hand, Germany has arranged to import an increased amount of Saar coal for the German railways and for some South German industrial plants, so that the Saar miners shall not suffer too much from the reduction in the amount of coal exported to France. To prevent German manufactures from flooding the Saar too quickly, Buerckel decreed that German export

firms must not send goods into the Saar without his authorization.

The return of the Saar on March 1 was symbolized by the hoisting of the Reich banner and the Nazi swastika over the building formerly occupied by the Governing Commission. Cheering, marching and music amid a forest of flags continued the celebration well into the night. The frenzy of delight reached its height with the unexpected appearance of Hitler himself. Standing bareheaded in the rain, he delivered a speech which was broadcast to the Saar and to millions throughout Germany. After thanking the Saarlanders for their loyal and overwhelming vote in favor of reunion with the Fatherland, he said amid cheers: "By this act of equality and justice the way has finally been cleared for improving our relations with France."

The return of the Saar to Germany, after the 90 per cent vote in the plebiscite, encouraged many Germans to agitate for Austro-German union and for steps toward the restoration of Eupen and Malmédy, which now belong to Belgium; Memel, where the German population has been oppressed by the Lithuanians, and the Free City of Danzig, whose foreign relations are under Polish control. In two local elections in Danzig in the Fall of 1934 the Nazis made notable gains, winning over 70 per cent of the votes. They also had a majority of 38 out of the 72 seats in the Danzig Diet, but the Catholics and Socialists were also strong. With the hope of weakening them, and possibly of creating a totalitarian State in Danzig on the German model, the Diet on Feb. 21 voted its own dissolution and ordered new elections.

GERMAN TRADE CONDITIONS

Chancellor Hitler in Berlin on Feb. 14 opened what was described as "the biggest automobile show on earth."

His appearance demonstrated his intense interest in the motorization of Germany, which he regards as a most important factor in the fight against unemployment. There were on display 8,000 German and forty foreign automobiles. No American cars were represented, except the German-made Ford, because the German import control virtually excluded the possibility of selling or bartering American cars in Germany.

Internal trade continued good during January and February, though there was a slowing down as compared with 1934, owing to lack of raw materials and to export difficulties. The gross value of industrial production in 1934 was 51,000,000,000 marks as compared with 40,000,000,000 in 1933. Wages and salaries paid amounted to 29,600,000,000 marks as against 26,300,000,000 in 1933, and 44,500,000,000 in the prosperous year of 1929.

The Railway Corporation carried 310,000,000 tons of freight in 1934, as against 263,000,000 in 1933, while overseas shipping carried 45,000,000 tons, as against 39,000,000 in 1933. Internal waterways took care of 90,000,000 tons as compared with 78,000,000 tons in 1933. Individual firms shared in this improvement. The Krupp Corporation of Essen, for instance, showed a net profit of 6,700,000 marks for the fiscal year ended Sept. 30, 1934, in contrast to a net loss of 3,000,000 marks in the preceding year. No dividends were paid, but 61,000 employes shared in a distribution of the profits.

Speaking at the Leipzig Spring Fair on March 4, Dr. Schacht took a decidedly pessimistic tone. He admitted that his "import control" and the "clearance agreements" had not worked satisfactorily, and hinted at

the adoption of a more complete organization of Germany's entire industry in a concerted drive for increasing Germany's exports. While he disclaimed any intention of resorting to dumping or price-cutting practices, he announced that the premiums now being paid in barter deals which forced Germany to buy dear and sell cheap would cease. Heretofore Germany has been subsidizing exports at the expense of her creditors through "blocked marks," scrip and depreciated bonds, but these methods no longer sufficed and must, he insisted, be replaced by something more drastic. As usual, he proposed to ease Germany's attenuated balance of payments by a further reduction in Germany's debt-service charges and the application of a long-term debt moratorium to all creditor countries, including those now collecting German payments through clearance agreements.

Dr. Schacht also repeated that Germany needed colonies to supply herself with essential raw materials. And he again asserted that Germany would not follow the example of so many other countries in "currency devaluations which have brought such a big element of unsound and shady practices into international trade relations." But he did not note that the decision of the United States Supreme Court in upholding the devaluation of the dollar might eventually save the German Government some 1,875,000,000 marks on Germany's foreign debts.

This problem of Germany's exports directed considerable attention to an address before the American Chamber of Commerce in Berlin on Feb. 20 by Dr. Julius Lippert, the State Commissioner for Berlin and the real ruler of the city. Speaking to "America's sober business sense," he appealed for

the termination of the Jewish boycott in the United States against German goods. Recalling the profitable deals running into many millions of marks that used to be made between German exporters and American importers, he admitted that one of the principal causes for their decline had been the Jewish boycott in New York City. He cited figures to show how Germany had been forced to buy from other countries cotton that could have been obtained from the United States. He also tried both to justify and to minimize Germany's anti-Semitic legislation. Jewish organizations in New York, however, turned a deaf ear to his appeal.

Evidence from various sources indicates that there has been no marked change, either for better or worse, in the treatment of the Jews in Germany. Here and there court decisions modify the situation in their favor, but these are offset by other occasional decrees or rulings which stiffen the earlier legislation against them. As long as Hitler, who is fanatically opposed to the Jews, remains the all-powerful Leader, there is little likelihood that there will be any considerable amelioration in the condition of the Jews in Germany, however much it may be desired by some of the industrialists, business men, scholars and men of moderate views who reject such race doctrines as Dr. Alfred Rosenberg preaches.

Representatives of bankers of eight creditor countries met in Berlin in February to discuss with Dr. Schacht Germany's short-term obligations which for four years have been frozen under the so-called standstill agreements. These standstill credits, which stood at 6,800,000,000 marks in 1931, have been gradually reduced by Germany to 2,000,000,000, which was regarded as moderate in relation to

Germany's total volume of trade. In view of the foreign trade balance deficit the bankers' representatives had no alternative but to agree to a prolongation for another year—to Feb. 29, 1936—of the standstill agreement on these 2,000,000,000 marks. They also agreed to a reduction, with some exceptions, of $\frac{1}{2}$ per cent in the interest rate.

Another financial measure, announced on Jan. 24, was called a "patriotic loan," but amounted virtually to a forced loan on the German savings banks and their clearing institutions. Its aim was to transform part of the government's floating short-term indebtedness into a long-term obligation and to provide more funds for work-creation projects to reduce unemployment. Under this plan the savings banks take over a loan from the Reichsbank, on behalf of the German Government, amounting to 500,000,000 marks issued at $98\frac{1}{4}$ and bearing $4\frac{1}{2}$ per cent interest. Another decree authorized banks to reduce the rate on mortgages to $4\frac{1}{2}$ per cent.

AUSTRIA'S FASCIST RULE

Dr. Kurt Schuschnigg, the Austrian Chancellor, has continued his policy of maintaining a watchful but tolerant and conciliatory attitude toward the two chief factions opposed to his Clerical-Fascist Government—the Socialists and the Austrian Nazis. Early in February he made a tour of several Austrian Provinces in order to get into closer touch with the people, and made many patriotic speeches to draw them to his support. He urged workingmen not to follow Socialist leaders in further opposition, and declared that his government distinguished between loyal Austrian workers and radical revolutionary agitators. Against the latter he would not hesitate to use force.

The anniversary of the civil war between the Vienna Socialists and the Dollfuss Government on Feb. 12, 1934, had been looked forward to with some anxiety. But it passed off without any dangerous political violence. Several clashes occurred between Socialist workers and the forces of the Heimwehr and government police, and some 200 arrests were made. But the Socialists contented themselves mainly with distributing leaflets and extinguishing their lights for three hours during the evening as a protest and in memory of their slain comrades.

Nazi agitation has been encouraged by the outcome of the Saar plebiscite. As a new form of propaganda, Austrian Nazis dropped small aluminum coins on the streets. The coins showed on one side a Saar factory lit up by a swastika functioning as a rising sun, with the date of the Saar plebiscite and the motto, "The Saar for Hitler-Germany"; on the other side another swastika and two more mottos, "Nation shall join nation," and "The Saar has shown it; Austria will prove it." After two years people had got tired of propaganda with leaflets, paper bombs and swastikas, but everybody bent down to pick up a piece of metal that at first sight looked like a real coin.

In the continuing trial of Nazis suspected of participation in the putsch against Chancellor Dollfuss, Fritz Hamburger was sentenced to life imprisonment on Feb. 13; he was charged with having been in constant telephone communication with the German Nazi, Habicht, at Munich during the weeks before the putsch, and with having tried to buy fifty revolvers just before the attack on the Austrian Chancellery. The trial of Anton Rintelen, who was supposed to be slated as Dollfuss's successor and whose ac-

tivities at the time of the Nazi revolt are surrounded in some mystery, began on March 2.

Late in February Dr. Schuschnigg, accompanied by his Foreign Minister, Dr. Egon Berger-Waldenegg, paid official visits to Paris and London. According to various rumors, the conversations with the French and British authorities touched on one or all of three things: further financial assistance to Austria; the securing of French and British assent to a future restoration of the Habsburgs, with a change of the Clerical-Fascist government in a more democratic direction; or, more probably, support for Austria as an independent State and for participation as such in the Franco-British negotiations with Hitler for securing the peace and status quo of Central and Eastern Europe.

SWISS MILITARY SERVICE

Even the Swiss, in their mountain strongholds, have not remained immune from the wave of fear and suspicion and consequent belief in increase of armaments which swept over most countries during the past Winter. Although their neutrality, established by the Congress of Vienna in 1815, has never been seriously infringed, many Swiss have felt that the citizen militia needed a little longer period of training. Rudolf Minger, who became President of the Swiss Federal Assembly last December, has been active in the movement to strengthen the country's defenses. He captured the imagination of the peace-loving Swiss people by appearing at army manoeuvres on horseback wearing a Prince Albert coat and derby hat. Mussolini's aggressive imperial-

ism on one side and Nazi activities and intrigue on the other have seemed to some Swiss to threaten their country. With the building of the great line of fortifications along the Eastern border of France, the Swiss have feared that in case of a new Franco-German war the Germans might try to go through Switzerland, instead of Belgium.

The Swiss Parliament therefore adopted a law in September, 1934, for extending the period of military training obligatory on every able-bodied citizen. Though adopted by an overwhelming vote of 291 to 11, it was disliked by the Socialists and still more by the Communists, who secured enough names to a petition to compel the law to be submitted to a national referendum. This was held on Feb. 23 and brought 80 per cent of the voters to the polls, an unusually high number. The referendum indicated an unexpectedly large opposition to the proposed measure, the vote being 506,845 for and 431,902 against.

By this new military law the infantry, artillery and engineers will train eighty-eight days, the cavalry 102 days, and the aviation and motor units seventy-four days. This means that the infantry will see twenty-three days more of training, the cavalry twelve more, and the artillery thirteen. Even this training, of course, is extraordinarily brief in comparison with that of countries with universal military service where between one and three years is usually required. The increased training in Switzerland applies only to the recruits' first year. For the seven following years they serve only eleven days annually, after which further training for all below the rank of sergeant is not required.

Italy Mobilizes for War

By WILLIAM E. LINGELBACH

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ITALY seems bent on war with Abyssinia. Mussolini early in February ordered the mobilization of 250,000 troops—two entire divisions of the class of 1911, three classes of marines and fifty battle planes. Ocean liners and other vessels were impressed for transport service to carry the expeditionary forces and supplies to Eritrea and Italian Somaliland on the Abyssinian border. At first the censor suppressed all news of the military preparations, but on Feb. 23 removed the restrictions.

No sooner was the ban lifted than the press burst forth in violent war talk; the entire front page of some papers was devoted to the prospective war with Abyssinia. All agreed that "Italy would have justice at any price." Mussolini's vigorous speech at the embarkation of the first contingent of the expeditionary force voiced the popular spirit—"Italy must be prepared for any eventualities." Exact news of the movement of troops is, of course, not to be had. Soon after the restrictions were lifted and the reporters given access to the Official Press Bureau, Mussolini suddenly ordered all dissemination of news stopped save by word of mouth at the War Office.

The immediate cause of this warlike turn in Italian affairs arose out of the border disputes between Italians and Ethiopians during the past months and a serious clash in the first week in February. Both powers appealed to the League of Nations. Mussolini at first demanded the ex-

pulsion of Abyssinia from the League altogether; later he sought an indemnity of \$44,900 from Abyssinia, an official apology and a formal salute of the Italian flag. In the meantime, he has prepared for all "eventualities" in another direction. The assent of both France and Great Britain was manifestly secured for his imperialistic venture in Africa in return for support of the Eastern Locarno and the Franco-British Air Pact. These thorough diplomatic and military preparations will, it is expected, not only prevent a repetition of the set-back to Italy's colonial ambitions under Crispi's government in the Nineties, but will also wipe out the disgrace of the defeat at Adowa in 1896.

Italian control over Abyssinia with its estimated population of between 8,000,000 and 10,000,000 would open up extensive possibilities for development and exploitation. The country is reported to be rich in many of the raw materials Italy needs—iron, copper, oil, lead, mica, gold, silver, platinum, ivory, carbonate of soda and coffee. Moreover, like France's African colonies, it would be an important reservoir of man power for Italy in any future European war.

That the imperialistic move on the part of Italy is in part dictated by the troubled domestic situation is admitted. Added to the depression and consequent economic difficulties is the disparity between the needs and ambitions of a vigorous and prolific people handicapped by limited natural

resources. According to *Azione Coloniale* the moment for the "opening of a new chapter in Italian colonial history" has arrived. The Italian press of late has given much attention to colonies. All comment on the Franco-Italian colonial accord has agreed that great advantages can flow from the cooperation in Africa of the two Mediterranean powers.

In addition to the fact that the nation has become more and more colonial-minded in recent years, there is also the fact that it has been strongly impregnated with the spirit of militarism, whipped up to a high pitch by propaganda speeches and articles and by the introduction of intensive study of military history and training in the schools. Altogether, national enthusiasm both from the colonial and the military point of view is so strong that it will be difficult for Mussolini to avoid pushing matters to extremes even if he should not wish to do so.

The economic and financial effects of the military venture quickly appeared. The stock market fluctuated violently and prices sank while the lira weakened on foreign exchanges. During the week of Feb. 10, Italian securities, government bonds and concession loans lost several points. The weakness of Italian credit was again emphasized, and despite the strenuous steps to mobilize all foreign credits it is becoming more and more apparent that Italy is the weakest member of the gold bloc countries. What the cost of the military venture will do to the budget, which had been developed with so much care, remains to be seen. The economies made in the revision last month did not touch the increases for the Ministries of Colonies, Air and Navy. Nevertheless, a costly colonial war

may easily prove disastrous to the gold standard.

Further measures for the protection of the lira were taken during the month when drastic restrictions on the importation of goods from abroad were again set up. At the very time when negotiations with the United States for a new trade accord were being prepared, the barriers against the importation of many products in which American exporters are especially interested were raised. The import of wheat, flour, meats, silks, certain types of steel, tractors and radio tubes was temporarily forbidden by Ministerial decree. The increased yield of Italian wheat, together with the accord with Hungary providing for heavy importation of wheat from that quarter, apparently makes Italy less eager to import American wheat, which, in other years, was valued at about 95,000,000 lire. Moreover, Italian credit in the United States has suffered greatly in recent years by the falling off of emigrant remittances, shipping services and the displacement of Italian by Japanese silk.

The import quotas set up during the month called forth a vigorous protest from the American Consul General, George K. Donald, on behalf of American firms trading to Italy. The new quota regulations, it was urged, would cut American importation on many articles between 10 and 30 per cent. On Feb. 19 an administrative order closing the frontiers in the north resulted in the piling up of great quantities of French goods at Modena. Indignant protests deluged the Ministers of Commerce and of Foreign Affairs, but without avail, and France began to talk of reprisals.

These measures to protect the gold standard are causing much disturbance in Italian commercial circles,

while industrialists are amazed at the order that employers must pay the workers who are called to the colors their full wages for three months, one-half wages for another three months, and restore them to their old jobs when they return from the war.

Statistics published during February reveal the amazing fact that the birth-rate has fallen off greatly since the Fascist régime was set up in 1922. Despite all Mussolini's propaganda, the people have not responded to the appeal for increased reproduction which, according to the Duce, will

alone enable the nation to "live dangerously" and rise to the spirit of the great hymn of fascism, Giovinezza. The Fascist press of the country pictures the population problem with alarm. According to *Il Popolo d'Italia*, the decline in the birth-rate since 1922 amounts in the aggregate to 2,370,000, a loss equal to four times that sustained by Italy in the World War. It points out that this falling off means the loss of 1,000,000 soldiers for the defense of the country, adding that "1,000,000 men can decide the fate of the nation."

Troubled Spain

A FEW days before the Spanish Cortes reassembled on Jan. 29 Premier Lerroxx succeeded in reorganizing his Cabinet without conceding increased representation to Catholic Popular Action. Señor Rocha was made Minister of Foreign Affairs and another member of the Prime Minister's Radical party became Minister of Marine. The readjustment, although agreed to by Gil Robles, was unwelcome to the rank and file of Catholic Action because they are anxious to bring about better relations with the Vatican and would like to have one of their own group at the Foreign Office.

Gil Robles, in supporting Lerroxx, showed his anxiety to maintain the coalition with the Radicals and their friends, the Agrarians and Democrats, till the constitutional reforms, so vital to the program of Catholic Action, have been secured. That the coalition is a precarious one at best is clear, for the ideals of the two groups differ so widely that only necessity holds them together. The newly organized Republican party led by Martinez Diario has drawn a number of Radicals away from Lerroxx,

while the new national bloc made up of the extreme Right of Catholic Action is bitter in its attack on Gil Robles for his compromise policy.

Outside the Cortes, Left Wing Republicans and Socialists have reorganized and under the leadership of a former Cabinet Minister, Don Felix Gordon Ordas, Deputy from Leon, are directing a dangerous attack against the government for the "cruel and ruthless repression" of the October insurrection. Quoting from the official reports of the government, Ordas issued a bitter indictment of its policy in a 200,000-word pamphlet, which the press has been forbidden to print. Charges of torture, assassination and inhuman conditions in the prisons are made against the "criminals of repression," and popular feeling is being widely aroused.

This, added to the fear that the Syndicalists, with their 2,000,000 followers, may decide to reverse their policy of non-participation in political affairs and go to the polls in the municipal election in April to check what the Left calls the most dangerous threat of clerical influence since the

days of the old monarchy, is causing Gil Robles a good deal of worry.

Unless Gil Robles cooperates with Premier Lerroux, the much desired constitutional reforms cannot be effected. The able young leader of Catholic Action has shown himself ready to make any reasonable concession in regard to the personnel of the Ministry in order to accelerate the constitutional revision which was so seriously interrupted by the October revolt. At the same time he has insisted upon the appointment of members of his party as Governors of sixteen out of the forty-nine Provinces. Since the censorship and other repressive measures will doubtless continue, the importance of these appointments from the point of view of the elections is self-evident.

In the meantime, the Ministry and the Cortes are confronted with a series of problems that call for real statesmanship. On the side of constitutional reform there are the questions of Church and State, education, the new electoral law, and the status of Catalonia, while on the side of administration and legislation there are the problems of law and order, the censorship, agrarian reform and, last but not least, the falling off in revenue and the difficulties of balancing the budget. The heavy drain on the Treasury caused by the insurrection and a decline in revenue of 53,000,000 pesetas have increased the deficit to 592,000,000 pesetas, or approximately \$88,000,000. According to the official report of the October revolt, 1,378 persons were killed and 2,921 wounded, while 63 public buildings, 56 churches, 26 industrial plants, 58 bridges and 730 private dwellings were either destroyed or seriously damaged.

In connection with the gun-running that supplied arms and ammunition to Asturian miners for the revolt,

Catholic Action, on Feb. 20, moved that the Attorney General file charges against ex-Premier Azaña and a member of his Cabinet, Santiago Casares y Quiroga, for complicity in the affair. As a counter move, the Socialists inaugurated a spirited campaign against the carrying out of the death sentence passed upon two former Socialist Deputies, Teodomiro Menendez and Gonzales Pena, who directed the revolt in Oviedo and robbed the Oviedo branch of the Bank of Spain of 2,000,000 pesetas. In a clandestinely printed copy of a revolutionary manifesto they urged a national demonstration "against the imposition of more death penalties on the proletariat by our oppressors."

The government, however, is using every precaution. The suspension of constitutional liberties continues in some Provinces and on Feb. 5 the Cortes began the serious consideration of an extremely drastic press law in the face of vehement protests from the journals of all parties. Even the monarchist paper *ABC* found itself for once in accord with the rest of the press. The bill provides for immediate enforcement of the censorship by Ministerial decree and without the approval of Parliament in cases of insurrection, epidemics or war, a great disaster or public calamity, during important judicial hearings, the negotiation of political and commercial treaties and during elections. A deposit of not less than 10,000 pesetas and not more than 100,000 is to be exacted as a guarantee before authorization to publish is given any newspaper or periodical.

These measures, added to regulations already in force fixing the price of daily newspapers at 10 centimes and forbidding dailies to publish Sunday evening or Monday morning editions, are an indication of the reac-

tionary tendencies in the Cortes. The bill also provides for the control of the newer means of communication, like the phonograph, radio and moving picture. Already one evening paper has been fined for publishing an extract of the law without government authorization. To overcome the use of immunity accorded by the Constitution to members of the Cortes, the bill forbids Deputies from being owners or editors of newspapers. Offenses under the new law, if it is passed, are to be judged by a special court.

Economically the effects of the October revolt are still manifest. Farmers are suffering from overproduction, the bumper crops of 1934 exceeding the average by more than 36,000,000 bushels. A large gathering of farm-

ers at Valladolid during the month demanded that the government buy 22,000,000 bushels, set aside 200,000,000 pesetas credit for advances to the farmers and the control of the grain market. They also want all importation of cereals and fodder stopped.

Relations with the Vatican have improved greatly since the New Year. The mission of Pita Romero, former Minister of Foreign Affairs, to the Holy See, together with the strong pro-Catholic sentiment of the Cortes, has brought about a change in the attitude of Papal circles. The appointment late in January of six Bishops to the Sees of Oviedo, Lerida, Plasencia, Huesca, Salamanca and Cartagena has contributed toward better feeling in Spain. W. E. L.

Civil War in Greece

By FREDERIC A. OGG

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A MILITARY and naval revolt which apparently had been long planned broke out in Athens on March 1. In the capital the trouble was soon localized in two strategic positions—the army officers' school and the barracks of the Presidential guard of Evzones, situated on the slope of the Acropolis. Two loyal Athens regiments quickly ended the uprising at the officers' school, but the Evzones garrison surrendered only after hours of severe and destructive fighting. Five warships in the harbor were seized by the rebels, who forced the crews to put to sea and head for Crete. Pursued by government planes, which rained bombs upon them, the craft escaped, although damaged.

Under hastily declared martial law, Athens was reported as quiet. But that the Tsaldaris government was in a quandary was indicated not only by its frantic attempts to explain away the uprising and to induce the populace to refrain from demonstrations but by the hasty replacement of Minister of Marine Hadjikiriaikos by Admiral Douzmanis and of Foreign Minister Maximos by Premier Tsaldaris and by wholesale dismissals of army and navy officers whose loyalty was suspected.

The revolt took on a more serious aspect—assuming, indeed, the dimensions of civil war—when disturbances which broke out in Macedonia and Thrace led to furious fighting be-



Scene of the Greek Civil War

tween government troops and the rebels. It gained broader political significance, too, when it became known that it not only had the full endorsement of ex-Premier Venizelos and his supporters but was in truth a coup engineered by Venizelos and General Nicholas Plastiras, which aimed at forestalling the threat to the Greek Republic which these and other leaders have repeatedly pointed out is implicit in the policies of the government headed by the monarchist-minded Tsaldaris.

Venizelos, since his unsuccessful attempt to defeat Tsaldaris at the polls, has been living in retirement in Crete, that stronghold of Venizelist sentiment. The leaders of the first outbreaks were themselves Venizelists, and a part of their plan is supposed to have been to take the ex-Premier aboard one of the rebel vessels and bear him to Athens, there to assume

leadership and perchance to resume power, as Premier or even as dictator. On Feb. 21, after three postponements, the trial of sixteen persons accused of attempting to assassinate the ex-Premier opened in the capital. It is not unlikely that the uprising was timed to take advantage of popular emotion stirred by this event.

As the civil war spread, the neighbors of Greece strengthened their frontier guards and waited watchfully, while French and British war vessels steamed into Piraeus to protect their nationals. Bulgaria was particularly concerned, and the concentration of Bulgarian troops on the frontier within easy hearing of the Greek cannonading held possibilities not pleasant to contemplate.

Turkey and Yugoslavia were also aroused, and on March 7 Bulgaria's delegate to the League of Nations, M. Antonov, handed to Secretary General Avenol a memorandum charging that the Ankara Government had moved six divisions into European Turkey near the Bulgarian frontier, was making feverish preparations for war and was inciting the border population against Bulgaria without cause. Cemal Husnu, the Turkish delegate to the League, denied that his country had unfriendly intentions toward Bulgaria, but subtly intimated that the movement of Turkish troops was the result of the Greek disturbance. He criticized Bulgaria for taking military measures along the Greek frontier to which Turkey, as Greece's ally, could not remain indifferent. On March 9 M. Antonov announced that because of "friendly explanations now proceeding between Sofia and Ankara" he had withdrawn his charges against Turkey.

Charging the Bulgarian Government with violating the Treaty of Neuilly by increasing the national

army beyond the 33,000 men allowed, General George Kondylis, Minister of War, announced on Feb. 14 that Greece would expend \$15,000,000 on new fortifications along the Greco-Bulgarian frontier in East Macedonia and Thrace. It was reported simultaneously that the Balkan Entente was considering a joint protest to the League of Nations against Bulgaria's armament policies.

The union of Dodecanesians living in Athens protested to the Secretary General of the League of Nations on Jan. 30 against alleged Italian terrorism over Greeks in the Dodecanese Islands. The union supported the Dodecanesian demand for a plebiscite under League auspices to enable the inhabitants to decide whether the islands shall remain Italian or return to Greece. Orthodox churches in the island of Kalymnos remained closed, with doors draped in black, as a token of passive resistance on the part of the Greek population.

THE POLISH CONSTITUTION

Another milestone on the leisurely road leading to a new Constitution for the Polish Republic was reached on Jan. 18, when the Senate adopted with certain modifications the draft passed by the Sejm on Jan. 26, 1934. The amended text was thereupon returned to the originating body, and has only to be accepted by it to make the process complete.

The changes introduced by the Senate related chiefly to two matters—the powers of the President and the composition of the Senate itself. As it left the Sejm, the instrument gave the President power to issue decrees only when countersigned by the Premier and the head of the department concerned. For this guarded provision the Senate substituted another entitling the Chief Executive to issue

decrees quite independently and with the full force of law. The change was in line with the general disposition to make the President a more important figure, and in particular to endow him with weighty powers of arbitration between the Cabinet and the Sejm or other bodies.

As for the Senate, the draft which passed the Sejm provided for the choice of members by an electoral college consisting of citizens recognized as leaders in the republic. The Senate's draft, however, provided for appointment of one-third of the number by the President of the republic and election of the remainder by whomsoever, and in whatsoever way, an ordinary statute, to be enacted later, might prescribe.

Meanwhile, the existing Constitution, adopted in 1921, is for all practical purposes suspended, if not obsolete. In particular, the preponderance which it assigns the Legislature as compared with the Executive has been completely reversed. The length of parliamentary sessions has been drastically curtailed, and not only has the dictatorial government a heavy majority, but it has been granted full power to govern by decree when the chambers are not in session.

As part of the movement for constitutional revision, the government admitted its intention to modify the status of Upper Silesia. Under existing law, the province, since the plebiscite of 1922, has had its own Parliament of forty-eight members, along with general political and economic autonomy. Though the government's plan has not been disclosed, it seems likely to include the abolition of the separate Parliament.

Stirred by reports in the American press that the unemployed in Poland number as many as 2,500,000, the American Polish Chamber of Com-

merce issued a statement in February placing the figure at only 501,300. Even this figure, it was admitted, is the highest in the last three years.

CZECHOSLOVAK POLITICS

In the coming Autumn the six-year mandate of the Czechoslovak Parliament elected in 1929 will expire, and at some date in the meantime a general election must be held. Already the parties are preparing, and it is thought possible that the polling may take place before Summer.

Like other Continental States, the republic is handicapped by an excessive multiplicity of political parties, and these parties, in the case of each of the nationalities into which the population is divided, run into double figures. The present government hopes before the election to correct the difficulty, so far as may be, by fixing a minimum of popular votes which shall entitle a party to representation in the Chamber. But it remains to be seen whether a plan can be worked out which, while eliminating petty groups and factions, will not be open to the charge of unfairness to minorities.

Despite the fact that the existing government coalition includes groups so diametrically opposite as Social Democrats, Agrarians, anti-clerical National Socialists and Catholic Populists, and despite the further fact that two of the largest parties of the German minority are included, it yet retains cohesion. Even in these months before the election, it is taking steps to carry out an ambitious program which will meet the needs of the agricultural population, of the working classes and of consumers. Included in the formidable list of tasks is the reform of taxation, provision of work for the unemployed, readjustment of conditions in the coal industry and the introduction of a forty-hour work-

ing week. Whatever its measure of success in dealing with these matters, there is at the moment every indication that the present government will survive the election, or at least be succeeded by one of generally similar character.

UNCERTAINTY IN HUNGARY

A kingdom without a king, and a land governed precariously under a Constitution (dating from 1920) that is at best a makeshift, Hungary can hardly be expected to display genuine political equilibrium. The domestic situation has of late, however, been exceptionally unsettled, and many observers agree with the editors of *Ujsag* that events are speeding toward an important change of régime.

Prominent among the personalities involved is Tibor Eckhardt, leader of the Independent Farmers' party, to whom it fell to represent his country at Geneva during the inquiry into the Marseilles murders and Hungary's responsibility for harboring terrorists. The chief issue is electoral reform, brought to the fore several months ago by the announcement of a government plan for changes. Eckhardt, since his resignation, on Jan. 30, as delegate to Geneva, has led the growing criticism of the Goemboes régime. In a conference of the government party during the first week of February, attended not only by Premier Goemboes and other members of the Cabinet but by ex-Premier Bethlen, a dramatic and wildly applauded attack was made upon Eckhardt. In later weeks the situation grew more tense.

After two years, the Goemboes government, which was reorganized during the first week of March, has reached the end of its resources in foreign policy and sought to save itself by concentrating its whole force upon domestic matters. Three projects, in

particular, were pushed, and bills dealing with them were hurriedly submitted to Parliament. One proposed to increase the powers of the Regent; a second was designed to put into effect a press law of 1914 which, even at the time of its passage, was condemned as reactionary. The third would reform the franchise laws, abolishing oral voting in the rural districts where it still survives. The constituencies would be redrawn but age requirements (twenty-four for men and thirty for women) would not be liberalized. Indeed, a serious new restriction would be imposed, especially upon the working classes, by requiring continuous residence in one place for a period of two years. Led by Eckhardt, the Opposition denounced this electoral measure with peculiar vehemence, arguing that, if passed, it would mean a still further decline in the level of the Hungarian Parliament and insisting that before any bill on the subject is considered, the principles of a desirable reform should be considered at length by a special Parliamentary commission.

When Parliament convened on March 5, a message from the Regent dissolving the body was unexpectedly read. Whether or not this would lead to the establishment of a Fascist régime few knew, but Premier Goemboes's opponents feared that it would.

BULGARIA'S CABINET CRISIS

The circumstances under which the Bulgarian Cabinet was displaced on Jan. 22 by a Ministry presided over by General Petko Zlatev stirred much discussion in succeeding weeks. The new Premier on Feb. 24 gave the country his own explanation in a lengthy radio address in which he declared that Colonel Gueorgiev, the former Premier, mistaking himself for a Mussolini or a Hitler, had

sought to deprive King Boris of his constitutional powers and had even aimed at converting the country into a republic. Independent power to appoint and dismiss Ministers and army officers had been sought; members of the Cabinet had been forbidden to confer with the King except by the Premier's permission; photographs of the King and reports of public demonstrations in his honor had been restricted and even forbidden. Refusing longer to tolerate such policies, the army had withdrawn its support from the dictator and established the new régime. The ex-Premier categorically denied the allegations and, in particular, ridiculed the notion that he had inclined to republicanism. As the debate proceeded, however, it became clearer than before that the nation, unmistakably devoted to King Boris, approved the change.

One consequence of the overturn was the elevation of an exceptionally competent man, Professor Yanaki Mollov, to the important post of Minister of National Economy. Though bringing to the position no hard and fast five-year plan, Professor Mollov holds positive and enlightened views on the country's economic needs, and in so far as he can contrive it, a broad program of betterment will undoubtedly be carried out. Since agriculture is the chief basis of the nation's subsistence, efforts will be made to persuade or require the peasants to raise crops that will bring the best returns in the world market, less grain and more tobacco, hemp, cotton, fruits and oil-bearing seeds. Industry is also to be rationalized, particularly with a view to increasing the use of Bulgarian agricultural and other raw materials.

Notwithstanding increased restrictions imposed by authoritarian governments, communism is admittedly

growing in most, if not all, Balkan States. Particularly is this true in Bulgaria, where not only the ranks of labor but the army and the schools have been penetrated to a degree that alarms conservatives and moderates. Within recent months serious Communist plots have been uncovered in at least ten towns and cities, and in Philippopolis—the second largest Bulgarian municipality—repressive measures have gone to the length of suppressing all labor organizations.

ELECTIONS FOR YUGOSLAVIA

Premier Yeftich on Feb. 5 announced the dissolution of the Yugoslav Parliament. Elections are set for May 5, with the new chamber to meet on June 3. The dissolved Parliament was the first chosen after establishment of the dictatorship and was elected under a law which required open balloting and which practically prevented any group except the gov-

ernment party from putting up candidates. At the time of dissolution it was widely reported that Premier Yeftich intended to inaugurate a new electoral policy under which candidates might be presented not only by the old parties but by any new ones that might come into being.

Hope, however, was dashed when, on Feb. 15, a former governmental group, the Yugoslav National party, was forbidden to publish an electoral statement. Before the end of the month it became fairly clear that candidates of opposition parties would not be allowed to enter Parliament if elected. Prince Paul was understood to favor an election that would freely test the opinion of the nation, but his wishes in the matter seemed likely to be overborne by the determination of the majority of government leaders to cling to office at all costs and by the readiness of the two other regents to support them.

Finland's Language Conflict

By RALPH THOMPSON

LAST Autumn the Finnish Cabinet published a bill intended to regulate the use of Swedish in Helsinki University. Scandinavians at home and abroad protested; even stronger objections came from Finnish nationalists, who declared that the measure was too mild and demanded that university teaching be purged of the Swedish language. But the government, mindful of the minority linguistic rights guaranteed by the Constitution, refused to be moved, and on Jan. 17 convoked a special session of the Diet to consider the original bill.

This step had unexpected results.

Finnish-speaking students in the university promptly went on strike, and not until Jan. 31 did they return to their classrooms. Mass meetings and demonstrations outside government buildings, the defacing of Swedish signs—even the explosion of a small bomb—indicated the strength of feeling. In the Diet, meanwhile, the Opposition began a series of harangues with the obvious purpose of preventing the bill from passing. For days the speeches continued, and as the time fixed for the end of the session drew near it became plain that no definite action was possible. On Jan. 28

President Svinhufvud declared the session ended and the measure was shelved until the Diet reassembles.

Nationalist sentiment did not subside at this, and early in February several hundred representatives from all parts of the country came together in Helsinki to demand a national referendum on the language question. Prime Minister Kivimaki told the delegates that no referendum would be allowed, but, not to be put off, they decided to intensify their agitation and to urge the public to support only genuinely Finnish enterprises. Two Cabinet Ministers belonging to the Agrarian party, which stands with the Nationalists on this issue, were expelled by the party council for supporting the government position.

Sweden, though indignant over the popular attitude in Finland, has thus far issued no official remonstrance. On the contrary, the Riksdag early in February passed by an overwhelming majority the government bill providing for the teaching of Finnish in primary schools along the Finno-Swedish frontier.

THE MEMEL TREASON TRIAL

The taking of testimony in the Memel treason trial came to an end shortly before the close of February. In tenor the concluding evidence hardly differs from that given earlier. It would be rash to draw from it an evaluation of the conflicting cases, to declare that Lithuania has a genuine grievance or that German sympathizers are being falsely accused. The witnesses for Lithuania present one national point of view; those for the defense another. What constitutes "truth" in such a situation?

As the Kaunas proceedings dragged on during the early weeks of February, there were renewed cries in Germany against Lithuanian "injustice."

The *Westfaelische Landeszeitung*, official Nazi organ, spoke of Memel as the "Saar of the East" and called again for a plebiscite there. Students of the University of Berlin on Feb. 12 engaged in a spontaneous demonstration against high-handed Lithuanian methods and demanded that the powers guaranteeing Memel's autonomy examine the situation and restore to German Memellanders their rights.

Jonas Novakas, Lithuanian-appointed Governor of the territory, on Feb. 28 told a correspondent of *The New York Times* that although Lithuania sincerely desired peace, she would brook no German advances—and would fight them if necessary. Five regiments of Lithuanian troops, it was said, were posted at strategic border points. Thus a long-standing controversy appears to be nearing an acute stage. If the polite and formal proceedings of the Kaunas court room were one fine day interrupted by the confusion of armed conflict, who could profess surprise?

NAZIS IN SCANDINAVIA

Not in Memel alone are the Nazis active. Both Denmark and Sweden have during the last few months watched the Hitlerite bogey reappear, and both have made further moves against the establishment of national socialism within their borders. Denmark's chief worry is her Slesvig territories, which, as the plebiscite of 1920 showed, contain a considerable number of German-minded residents. The Swedish problem is not one of race or geographical contiguity, but the country is none the less subject to recurrent Nazi tremors.

In Sweden and Denmark alike there have been in effect for over a year regulations that forbid the existence of political organizations of a military character, or the wearing in public of

any kind of political uniform or emblem—regulations obviously directed against Nazi parties. The parties still exist, however, more or less obscured.

Last September Herr Lembcke, the Danish Nazi leader, ordered the dissolution of his group on the ground that many of the members were of questionable character, but this was not its end, for Copenhagen police have from time to time since September arrested persons for illegal Nazi activity. In October a Socialist Deputy to the Folketing declared that Germany was distributing funds in Danish Slesvig and was thus gaining on her goal of overwhelming the Danish elements there. Early in 1935 another spokesman declared that high officials of Flensburg, a city just over the German frontier, were the leaders of a well-organized movement to detach Slesvig from the rest of the kingdom.

The Swedish struggle is colored by

the fact that a Swedish National Socialist party actually exists and is represented in certain elected legislative bodies. But Nazi doctrines make no appeal to the country as a whole, and the Social Democratic government of Sweden has no intention of allowing the country to become a hot-house for their development. Liberal newspapers of semi-official character like the Stockholm *Social Demokraten* or the Gothenburg *Ny Tid* miss no opportunity of exposing so-called German propaganda, and there is little question that certain recent disclosures have shown deliberate efforts to influence Swedish public opinion. On Feb. 14 Gothenburg police arrested eleven Nazi leaders and seized a store of pamphlets, uniforms and weapons. Documents taken at this time were said to prove that the National Socialists, in their anxiety to overthrow the present Social Democratic government, had formed an alliance with local Communist groups.

Soviet World Relations

By EDGAR S. FURNISS

Dean of the Graduate School, Yale University

AMERICAN relations with the Soviet Union have, as a result of the abrupt collapse of the debt negotiations, been left somewhat in doubt. The failure to settle the debt question has destroyed all hope of an immediate improvement of our export trade to Russia, thus depriving recognition of the principal benefit expected from it. Since the Soviet Union is now classed as a defaulting nation, it is subject to the provisions of the Johnson Act. Thus the door to American credits from private sources is virtu-

ally closed, while abolition of the Export-Import Bank has removed the mechanism through which government credit might have been extended.

The Soviet Union cannot easily enlarge its American purchases without credit assistance; and recent developments have made it unnecessary to accept ungenerous conditions. Various nations are competing with each other to advance credits on easy terms. France in December arranged a 1,000,000,000-franc credit for a fairly long period at low rates of interest. Since

early Fall Germany has maintained an offer of a 200,000,000-mark credit, which the Soviet Union is now prepared to accept since the terms are even more favorable than those offered by France. Great Britain, too, has made liberal offers to the Soviet purchasing agencies.

Apart from favorable credit relations with other countries, the bargaining position of the Soviet Union has been strengthened in other respects. Outstanding foreign obligations, which at one time were dangerously large, have been reduced to little more than \$100,000,000. The year's trade and exchange operations are expected to produce a favorable balance of some \$150,000,000. Soviet gold production in 1935 is expected to total \$250,000,000. Russia, no longer under the necessity of begging for trade favors, can now disregard the adverse effects of American credit policy.

American political relations with the Soviet Union have also been damaged by the failure of the debt negotiations. The event has evoked an outburst against Russia by those who have consistently opposed the recognition policy. The American Government, too, has shown its displeasure, or at least its uncertainty as to the future, by making substantial reductions in its diplomatic establishment in Russia. A Department of State press release on Feb. 6 announced the decision in these terms:

The following changes in our representation in Moscow have been ordered:

The Acting Naval Attaché will be withdrawn;

The Air Attaché will be withdrawn;

The Consulate General will be abolished;

Reductions will be made in the personnel of the Embassy.

The Soviet Union has been so much preoccupied with other international problems that relations with the United States have received little attention. The developing situation in

Europe and in the Far East has convinced the Kremlin that the danger of attack persists. As a result an active part is being taken in European diplomatic manoeuvres.

The Soviet attitude is stated as follows: Poland, having given up hope that France will go to war to protect her against German aggression in East Prussia, has shifted her policy so as to substitute Germany for France as principal ally. An agreement has been reached between the two countries to give East Prussia back to Germany in exchange for German military support of Poland's designs on Lithuania, with both to engage in an attack on the Soviet Union for the purpose of taking over a major part of the Ukraine. Japan is expected to aid this enterprise by engaging the Soviet Union in the Far East.

As proof of this Soviet view, some evidence has been presented by the Kremlin, including allegations of German-Polish intrigue in the Ukraine and White Russia, as well as apparently definite information of a secret agreement between the two countries. Hitler's early avowal of designs on Russia and Rosenberg's public proposal in London to seize Russia's western provinces created an atmosphere favorable to the growth of these suspicions. The repeated rejection by Germany and Poland of Russia's invitation to subscribe to pacts guaranteeing the territorial integrity of Eastern European nations has lent support to the Soviet interpretation, while Japan's refusal of a similar invitation covering the Far East has supported Soviet fears of collusion among her enemies on both fronts.

The validity of the Soviet interpretation is not important. What is important is that this interpretation has determined recent Soviet foreign policy. The security pacts on which

the Soviet peace program is based have been nullified by the abstention of Germany and Poland. Russia has therefore sought a rapprochement with France and the Little Entente, in both cases successfully. How great a change of outlook this involved is shown by Russia's abandonment of policies once regarded as unalterable.

The Soviet entry into the League of Nations last year is an example of such a change of front, for Russia has consistently condemned the League as a puppet of imperialist States. Molotov explained to the Congress of Soviets on Jan. 28 that the withdrawal of Germany and Japan from the League leaves its membership composed of States who "for one consideration or another" share Russia's views of the problem of peace in Europe. Joining the League gave the Soviet peace program the support of these States; and it was a necessary step toward affiliation with France and the Little Entente, these governments having urged the action as a condition of the proposed rapprochement.

Even more striking is the change of policy with respect to Rumania—Russia's sudden and complete abandonment of her position in the dispute over Bessarabia. There could be no cordial relations with the Little Entente until peace was made with Rumania. This was so important to the present Soviet foreign policy that Russia conceded everything at issue; gave Rumania formal assurance last Spring that the claim to the disputed territory would be surrendered, and within the past month arranged to return the Rumanian State treasure which has been held in Moscow since the Revolution.

A summary of the Soviet Union's present relationships in Europe will show to what extent the new policy

has succeeded. Russia's smaller neighbors on the west are bound to her by pacts of non-aggression. The Little Entente, which holds the pivotal position in Central Europe, is now working in close harmony with the Soviet Union; this draws in the Balkan League, to which two members of the Little Entente belong. Independently of this indirect affiliation, Russia has formed an alliance with Greece and Turkey, and within the year has resumed relations with Bulgaria.

But this is not all. The success of Soviet policy in Eastern Europe, inspired by distrust of Germany and Poland, has caused France and Great Britain to seek Russia's cooperation. This was shown by the French invitation on Feb. 17 to comment on the Anglo-French proposals to Germany resulting from the London conference on Feb. 3. France aimed in part to strengthen her own position in relation to Great Britain, since the latter country had shown some disposition to give in to the German counter-proposal that the suggested air pact be concluded first and the other items of the Anglo-French proposal be postponed for later discussion. The Soviet answer, contained in a communiqué of Feb. 20, endorsed emphatically the French position that the program for European stability outlined in the London accord be considered in its entirety or not at all, and that Germany be required to answer on those terms. It is a novel thing for the Western European States to acknowledge that Russia must be consulted with regard to their own foreign policy.

The fact is that M. Laval had promised the Soviet Union before entering the London conference that he would agree to no arrangement that did not include the Soviet scheme for an Eastern pact of mutual assistance. It is also known that, failing the consum-

mation of such a pact, France has agreed to an alliance with Russia. In the west of Europe as well as in the east the situation is such as to give the Soviet Union a position of influence she has never before enjoyed.

SOVIET MILITARISM

The war fears that are shaping Soviet foreign policy are also a dominant element in her domestic program. The most obvious effect is to be seen in the rapid expansion of the Soviet military establishment. Vice Commissar for Defense Tukhachevsky informed the Congress of Soviets on Jan. 30 that the Red Army had increased from 562,000 in 1932 to 940,000 in 1934. The original military budget for last year was 1,665,000,000 rubles, but the actual expenditures were 5,000,000,000 rubles. The budget for the present year calls for 6,500,000,000 rubles.

The weakest link in the Soviet military equipment is the railroad system. For two years the government has tried to effect improvement by means of severe discipline, even punishing with death railroad officials and workmen who blundered. Now a complete reorganization and rehabilitation of the railroad structure have been decided upon. L. M. Kaganovich, next to Stalin the outstanding figure in Russia today, has been appointed Commissar of Transportation with dictatorial powers. He has been given an appropriation of over \$200,000,000 to expend this year on new equipment and modernization.

THE CONGRESS OF SOVIETS

The Congress of Soviets, which adjourned on Feb. 6 after a ten-day session, resolved to reform the Constitution by making the electoral system more democratic. The secret ballot is to be substituted for the former method of vote by show of hands in open meeting. The system of indirect

elections through a hierarchy of governmental organs, whose effect was to give the voter direct suffrage only in the local Soviets, is to be abolished. Hereafter the people will vote directly for all the other representative bodies.

The former system, which gave the urban population five to one representation as against the peasants, is also abolished in favor of complete electoral equality. The previous electoral system was designed to facilitate control by the Communist minority; and the changes are evidence of the government's confidence in the loyalty of the general population. Premier Molotov stated that the ultimate objective of these reforms was the democratic ideal of free, secret, direct and universal suffrage. But he also warned the country that all organized opposition parties remained illegal.

The Congress also elected the new Central Executive Committee to wield sovereign power for the next two years. This body of 605 members at once re-elected all the former members of the Council of Peoples Commissars, and also all seven of the former Presidents of the constituent republics of the Union. The higher officialdom of the government remains therefore virtually unchanged. The Central Executive Committee added Joseph Stalin to the Praesidium—a group of twenty-seven which is legally supreme between the infrequent meetings of the committee. Though this is not unprecedented, Stalin does not usually occupy a post in the central administration, since he prefers to wield his power through his unofficial position as party chief. While these elections were taking place, the party filled the places on the all-powerful Politburo left vacant by the assassination of Kirov and the death of Quibyshev. The two men elected were A. I. Mikoyan and V. J. Chubar.

Turkey's New National Assembly

By ROBERT L. BAKER

THE cynically minded historian who holds that every reform movement must ultimately be overtaken by complacency and inertia is more likely than not to be wrong in the case of Turkey. President Mustafa Kemal Atatürk in his determination to Westernize and modernize his country continues as energetically as ever to drive Turkey from one reform to another in rapid succession. Ancient institutions, customs and habits of thought have been upset. The Sultan-Caliph, the Moslem religious orders, the fez, the veil, the seclusion of women, the Arabic Koran, Moslem law, the old alphabet, traditional Turkish music—these and many other things thought to be inseparable from the Turkish people have gone by the board. And as long as Mustafa Kemal Atatürk is at the helm it seems unlikely that Turkey will be allowed to rest on its laurels.

In its latest reform, Turkey, one of the youngest of republics, has outdistanced France, where the republican tradition is nearly a century and a half old. This has been to give Turkish women the vote and the right to hold office in national politics. Since 1930 women have taken part in municipal affairs, and the decision of the President and the Grand National Assembly to enfranchise them fully was based upon the satisfactory manner in which they had discharged those minor duties of citizenship. By a unanimous vote of the Assembly on Dec. 14, 1934, the Constitution was amended to permit some 2,000,000

Turkish women to vote and to become Deputies. A month later they took part for the first time in primary elections, and on Feb. 8, as a result of the secondary elections, seventeen women became Deputies in the Turkish Parliament. When the Fifth Grand National Assembly met at Ankara on March 1 they were loudly cheered by their male colleagues on taking the oath to preserve the sovereignty of the nation and never to forsake republican principles.

Sixteen of these women Deputies are town-bred and highly educated. Ten are teachers, four are municipal councilors, one is a physician and two are farmers. One of the farmers is an Anatolian peasant who has made an admirable record as Mayor of her village. As special attention is being devoted to child welfare and social questions generally during the present session, the women are expected to play an important part. And their fine record for economy as municipal councilors will probably be extended to the field of national finance.

The present Grand National Assembly differs from its predecessors in still another respect, since four of the new Deputies elected with the approval of the People's Revolutionary party include a Jewish physician, a Greek throat specialist, an Armenian banker and a lawyer who describes himself as an Orthodox Turk. Independents in the new Assembly, among whom the four just mentioned are included, number fifteen, instead of five as in the previous Parliament.

While these Independents do not constitute an Opposition, the increase in their number is due to the desire of the People's party to have more discussion and criticism in the Assembly.

Mustafa Kemal Ataturk was re-elected President of the republic at the opening of the Assembly on March 1, and the Presidency of Parliament fell to Abdul Halik Renta, former Minister of Finance. The only change in the Cabinet was the appointment of Zekai Apaydin in place of General Kazim Ozalp as Minister of National Defense.

The new Grand National Assembly numbers 399 Deputies, an increase of 82 over the previous one. This was due to the reapportionment of seats on the basis of 40,000 inhabitants instead of 50,000 and to an increase in the population since the last general election.

Three French financial experts are now in Turkey studying certain phases of Turkish finance. When their work is finished they will recommend a number of fiscal reforms.

EGYPTIAN AFFAIRS

Egypt's reform Cabinet, under the leadership of the independent Liberal, Nessim Pasha, has been engaged since it took office last November in reorganizing and purifying the administration. Freed from the unwholesome influence of the palace by what amounted to a political revolution, Nessim has ousted inefficient and grafting officials and eliminated sinecures. The greatest problems—those of a new Constitution and new elections—have been postponed, but the country is confident that the Premier will deal with them when he has completed his housecleaning.

One of Nessim's first reforms was the creation of a separate Ministry

of Commerce and Industry, to begin work in May. Hitherto the functions it will assume have been inadequately supervised by a bureau in the Ministry of Finance. In Great Britain as well as in Egypt this change is viewed as highly constructive and promising. The only criticism has come from a section of the Arabic press which resents the government's decision to entrust the organization of the new Ministry to a high official of the Overseas Department of the British Board of Trade. Yet it is to be remembered that Great Britain is Egypt's best customer and the heavy trade balances in Egypt's favor in recent years have caused dissatisfaction among British exporters. Agitation in England for more advantageous reciprocal trade relations with Egypt may have had something to do with the selection of a Board of Trade expert.

Recent figures indicate that prosperity is slowly but surely returning to Egypt. For the first eleven months of 1934 exports amounted to 27,752,995 Egyptian pounds, as against 25,336,480 for the same period in 1933 (the Egyptian pound is worth about \$5). Imports for the period were 26,570,108 Egyptian pounds, as against 24,217,295 in 1933. The foreign trade balance has been favorable since 1932.

State finances are also satisfactory, revenues for the year 1933-34 amounting to 32,630,223 Egyptian pounds, as against expenditures of 30,548,711 pounds. Half of the surplus of nearly \$10,000,000 was devoted to exemptions in agricultural taxation, while the other half was added to the Reserve Fund.

A contract has been awarded by the government for the strengthening of the Assiut barrage, made necessary by the raising of the Aswan dam. Tenders have also been invited for the rebuilding of the Delta barrage.

The work at Assiut will cost over \$5,000,000.

RECLAMATION IN IRAQ

Relying upon the large royalties which it expects to obtain from the Mosul oil fields, the Iraqi Government has launched an ambitious three-year plan for the reclamation of the area between the Tigris and Euphrates Rivers below Baghdad. For three thousand years this land has been desolate, but in ancient times it was famed for its fertility. In the effort to make it arable again about \$6,000,000 will be spent on building a great dam across the Tigris at Kut-el-Amara and an irrigation canal. Preliminary work has already begun, all the heavy machinery needed having been brought to the dam site from Basra. Actual construction will begin after

the subsidence of the Spring floods in June.

DEATH OF EX-KING ALI

Ex-King Ali of the Hejaz, who had been living in Iraq since he abdicated his throne on Dec. 20, 1925, died at Baghdad on Feb. 14 at the age of 55. With his brothers, the late King Feisal of Iraq and the Emir Abdullah of Transjordan, Ali supported the British during the World War. He conducted the siege of the Turkish garrison in Medina and led the Arab auxiliaries against the Turks in Palestine toward the end of the war. Upon his father's abdication in October, 1924, Ali succeeded to the throne but was himself forced to abdicate before the advance of the fanatical Wahabi tribesmen from Central Arabia under the leadership of Ibn Saud.

Japanese Pressure on China

By GROVER CLARK

WHILE no important new agreement has so far been signed between Tokyo and Nanking, the Japanese Government has apparently continued its pressure on the Nanking authorities to come to terms. Chinese Government leaders, who seem to have about made up their minds that the Manchurian situation cannot be altered for the present, have begun to show interest in an understanding with Japan. Official reticence and press censorship have kept out of the papers anything like details of the discussions in progress, but a number of developments have disclosed the trend.

Dr. Wang Chung-hui, China's most distinguished jurist and a man high in

Chinese Nationalist circles, though not at the moment in office, stopped off in Japan about the middle of February on his way to resume his work as Associate Judge of the World Court at The Hague. He called on practically all the important officials in Tokyo, from the Premier down. He told newspaper men that his visit was purely private, and that his calls were simply to explain conditions in China. But he also is quoted as having said: "We desire the cooperation of Japan in every field. The friendly help of the Japanese people is earnestly requested. We want to study concrete measures."

Even more significant of the changing attitude of the Nanking officials was a speech on Feb. 20 by Wang

Ching-wei, President of the Executive Council and Foreign Minister at Nanking. In the course of a talk to the Central Political Council of the Nationalist party on the Chinese-Japanese situation he said, according to the cabled reports: "It is quite certain that a rational solution of the fundamental issues between the two countries will be obtained." He also commented favorably on Foreign Minister Hirota's speech to the Japanese Diet on Jan. 22 and added that if the two countries "do not cling to their immediate interests nor mind their temporary feelings, but show mutual sincerity," friendly cooperation would be possible. When these remarks were called to General Chiang Kai-shek's attention a few days later, he expressed himself as fully in accord with Mr. Wang's views.

The cabled dispatches do not reveal Chinese opposition to this swing to Japan by the Nanking leaders. There is little doubt, however, that a good deal of feeling exists, and that the lack of reports is due to censorship of the cables and of Chinese newspapers.

Toward the end of February reports began to circulate that the Chinese-Japanese discussions had reached the point of considering a substantial Japanese loan to China in the form either of cash advances or of credits for the purchase of Japanese goods. No one has explained where Japan would at present get the money for large cash advances to China, however much she might like to buy control in this way as she tried to buy it through the Nishihara loans in 1917-19. Payments for foreign obligations coming due in 1935, for the Chinese Eastern Railway and for the growing excess of imports over exports, will create a strain on Japan's ability to maintain the exchange value of the yen, which already is causing serious concern to the financial leaders in Japan. Credits for

the purchase by the Chinese of Japanese goods would be another matter, because they would involve domestic rather than foreign exchange financing.

The talk of a loan by China to Japan, however, seems to have worried the British authorities sufficiently to cause them at last to make a gesture toward taking the initiative in countering Japan's expansion.

On March 1 the British Ambassador in Washington called on Acting Secretary of State William Phillips and discussed the Far Eastern situation with him at some length. Shortly thereafter press reports had it that Great Britain had suggested that the United States, Japan and France join with her in a loan to China. The official purpose of such a loan would be to help the Chinese Government get on its financial feet again, and to make possible much needed railway and other developments in China. Unofficially, and perhaps more vitally, the object would be to head off Japanese dominance in China.

If the British really have proposed a four-power loan to China in the way reported, they have furnished another glaring example of their occasional extraordinary ineptness in dealing with Chinese questions. Just before the end of 1926, Great Britain addressed a memorandum to the principal Western powers and Japan proposing that they unite to readjust their treaty relations with China. The proposals were in the most admirably liberal spirit. But Great Britain neglected to include China among those invited to take part in such a readjustment of treaties. Naturally, the Chinese interpreted the proposal as simply a move to re-establish, under British control, a "united front" among the powers. They became extremely indignant at this bland ignoring of their country

in a matter which concerned them so intimately. This latest British proposal, to judge from the available reports, looks like another blunder of the same sort. Nothing has been reported to indicate that China has said she wanted a loan from the four powers, or that China even had been asked whether or not she did.

Japan's response to the proposal was prompt and emphatic. Spokesmen at Tokyo made it clear not only that Japan would take no part in a joint loan, but that she would do everything to prevent it.

In the face of Japanese opposition a four-power loan to China is obviously impossible. A three-power loan might be, provided the British, French and American Governments were ready to make the loan on terms that left it inescapably clear that no political strings were attached. Only on such terms would the Chinese authorities accept a loan, unless under the sort of pressure that Japan may be preparing to apply. This, however, would in effect be a loan on the general credit of the Chinese Government without any pledge of specific security. Under present conditions it is difficult to believe that British, American and French bankers would be willing to take up Chinese Government bonds on such terms. Nor does it seem likely that the British, American and French Governments would advance any substantial amount of cash to China out of their own depleted resources.

In any case, it is rather late in the day for the Western powers to be talking about such half-way measures. If they are prepared to force the issue with Japan and to carry through to an effective demonstration their resolve to see that treaty pledges are kept, then it is foolish for them to

talk simply of a loan to China. If they are not prepared to go through to the end, it is even more foolish to raise petty irritations by talking of a loan to China, especially without consulting China.

TRADE IN THE FAR EAST

Preliminary figures show a substantial increase in Japan's foreign trade in 1934 over 1933, following increases each year since 1931. Total trade for 1934 was 4,454,000,000 yen, as compared with 3,778,000,000 yen for 1933, an increase of 17.9 per cent. This brought the total up practically to the peak figure. Exports, however, increased proportionately less than imports, rising 16.7 per cent as against 19.1 per cent. The total imports of 2,283,000,000 yen in 1934 exceeded the total exports of 2,172,000,000 yen by 110,606,000 yen, compared with an import excess of 56,174,000 yen in 1933 and 21,469,000 yen in 1932. This sharp increase in the excess of imports is causing considerable anxiety in Japanese financial circles, adding as it does to the demand for Japanese payments abroad at a time when the financial resources of the country and the government will be severely strained to meet other foreign obligations without causing a serious slump in the exchange value of the yen.

For the first time in Japanese history the exports of cotton piece goods exceeded in value those of raw silk, and became the most important item in Japan's export trade. Piece goods formed 22.7 per cent of the total exports in 1934, as compared with 13.2 per cent for raw silk. In 1934 Japan passed Great Britain in the number of square yards of cotton goods exported. By far the largest import item in 1933, as in previous years, was raw cotton, this making up 32

per cent of the total in 1934. About half the raw cotton was imported from the United States, most of the rest coming from British India.

In this connection it is interesting to observe that in 1934 the total American foreign trade increased over 1933 substantially more than that of Japan—21.2 per cent as against Japan's 17.9 per cent. American exports increased 27.9 per cent; Japan's, 16.7 per cent. American imports increased only 14.1 per cent, to Japan's 19.1 per cent. American trade with Japan was 8.7 per cent of the total trade of the United States in both 1933 and 1934, but Japanese trade with the United States was 25.7 per cent of her total. In other words, what was less than one-tenth of the business done by the United States with other countries was more than a fourth of Japan's total foreign business.

Furthermore, Japanese trade in 1934 with the countries in Japan's immediate neighborhood (Southern and Eastern Asia and the Pacific islands, including British India, Australia, China, Siam and so forth) was actually less than that of America. Excluding the trade with Japan, American trade with these Asiatic and Pacific lands formed 15.9 per cent of the total trade in 1934, and amounted to approximately \$610,000,000, an increase of 30.5 per cent over 1933. Japan's trade with these same regions was something over half of her total foreign trade (precise figures are not

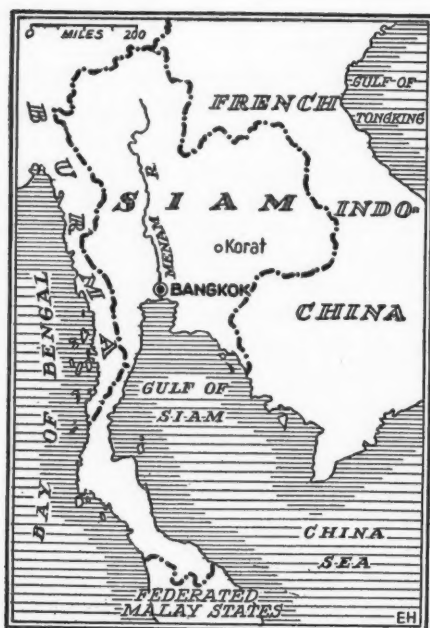
yet available) and came to about 2,200,000,000 yen, or \$550,000,000, the increase being just over 22 per cent. Manchuria in 1934 took 18.9 per cent of Japan's total exports, precisely the percentage taken by the United States and slightly larger than the share taken by Europe and Africa combined.

China's trade in 1934, largely as a result of the crisis in silver which was due chiefly to the American purchase policy, fell off sharply from 1933, in imports, exports and total. The excess of imports, however, decreased substantially. The drop in total gross trade was from 1,971,000,000 to 1,575,000,000 Chinese dollars, or 20.1 per cent. The exports were down from 612,000,000 to 536,000,000 Chinese dollars, or 12.4 per cent, while imports dropped from 1,359,000,000 to 1,039,000,000 Chinese dollars, or 23.6 per cent. The United States continued to lead in China's foreign trade, taking 18.5 per cent of the total exports, supplying 21.9 of the total imports, and doing 20.8 per cent of the total trade. Comparative figures for the Chinese trade with Japan were: Exports to, 15.2 per cent; imports from, 12.2 per cent; total trade with, 13.2 per cent. Cotton piece goods continued their decline in importance among China's imports, forming only 2.6 per cent of the total in 1934, compared with over 30 per cent in 1913. The most important import item was metals and machinery, which formed 15.4 per cent of the total in 1934.

The King of Siam Abdicates

AFTER more than two and a half years of struggling for truly constitutional government in Siam in face of the determination of the Commander-in-Chief of the army and

his clique to establish a dictatorship, King Prajadhipok on March 2 announced his abdication. In an accompanying statement he said that his intention "that the people should



Siam

have a real voice in the policy of the country has been ineffective" and that he realized there was no longer any way of his "assisting or protecting the people in the future." So has ended, for the time being at least, the strange drama in which this man, who formerly was the sole important absolute monarch left in a revolution-ridden world, has been struggling to establish popular control of his country's affairs.

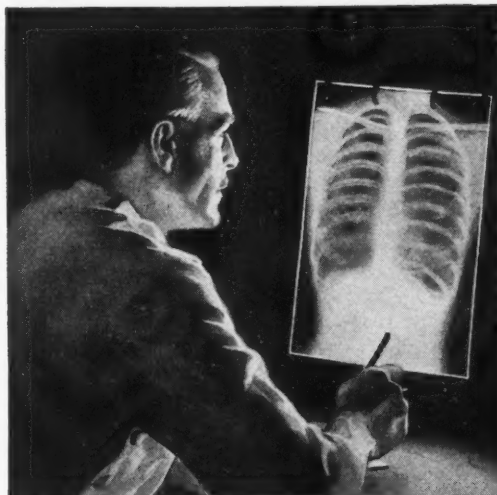
This particular difficulty started on June 24, 1932, when Phya Bahol, heading an army clique, carried out a coup d'état and seized power in Siam. The King was invited to head a constitutional monarchy. He accepted, "on the understanding that Bahol and his associates would establish a constitution on the same lines as in all countries with constitutional governments of that kind, so that the people would have a right to have a

voice in administration and in matters of policy affecting the welfare of the people." But Bahol, the King has said, did not live up to this understanding.

Last September, Bahol forced through the National Assembly amendments to the criminal codes which would have made the courts in effect an agency for the legal execution of political rivals. The King met this challenge with a threat to abdicate and a demand for genuine constitutional government. He was in England at the time. He stayed there. Representatives from Bangkok came to see him. He talked with them. Apparently Bahol and his clique would not agree to the changes which the King believed necessary if he were to stand as an effective bulwark between his people and a ruthless dictator. So Prajadhipok abdicated, declaring: "I am unable to agree that any party should carry on the administration in this way under cover of my name."

The abdication was not in favor of any particular person, nor was the statement addressed either to the Siamese Government or to the people at large, nor did the King turn over his power to any one else. He said simply: "I hereby renounce all the rights I had been asking, but reserve all the rights I formerly enjoyed before my accession to the throne." Consequently, no one is given the opportunity to accept or reject the abdication, but at the same time no one can force him to serve as King against his wish. Prince Ananda, his 11-year-old nephew, now in Switzerland, was asked to become King, and on March 5 accepted. Presumably a regency headed by Bahol will act during the young King's minority. G. C.

Fight Tuberculosis with modern methods



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THERE were fewer new cases of tuberculosis in 1934. The deathrate from this disease in this country was lower than ever before. But this good news from those who are resolutely fighting tuberculosis should not blind one to the fact that about 70,000 persons died last year from tuberculosis and that it is still the leading cause of death between the ages of fifteen and forty-five.

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A TRAVELER'S NOTEBOOK

WOULD the reader feel confident of finding these countries on the map—Suomen Tasavalta, Saorstat Eireann, Flstin, Misr, Eesti Vabariik, Lietuva and El Moghreb? They are the names by which their inhabitants know Finland, the Irish Free State, Palestine, Egypt, Estonia, Lithuania and Morocco.

London's subway escalators are equipped with light beams and photo-electric cells which automatically regulate their speed according to the number of passengers. The escalators travel at 160 feet a minute during rush hours, compared to 100 feet at normal times.

The Punchbowl, an old crater overlooking Honolulu, is being leveled by army engineers. During the excavations fifty human skeletons have been uncovered, bearing out a theory that the Punchbowl was once a sacrificial hill.

Queues have been forbidden by law in Shantung, and policemen are being equipped with scissors in order that they may separate violators from their braids.

Tokyo will be the world's largest city within thirty years if the present rates of increase of Tokyo, New York and London remain unchanged, according to Japanese statisticians. The population of the Mikado's capital on Oct. 1, 1934, was 5,663,350.

Colombia's Pacific Coast port of Buena Ventura offers a vivid view of the tropical jungle with a minimum of trouble and discomfort. A short trip by launch up the Agua Dulce River enables visitors to see the life and vegetation and hear the sounds of the primeval jungle.

The first luxury food-shop to be allowed in Russia since the beginning of the first Five-Year Plan was opened in Moscow in October. Fresh fruits, fresh meats, game and fish, and fresh vegetables and dairy products may be sold to any one able to pay the price. There is a similar shop in Leningrad.

Hawaii's annual Lei Day will be expanded into a three-day festival this year, beginning on May 1. Historic native games, last played in 1819, are to be revived.

"Make bullfighting safe for the spectators." This was the injunction given to a special commission by the Spanish Minister of the

Interior last September. The reason for this action was that three onlookers were killed last season by flying swords which had been badly placed by matadors. Two other spectators who leaped impulsively into the arena to give battle to the bull lost their lives.

In a quiet garden in the heart of Paris is the Dépôt des Marbres, to which republican France has retired from public view almost all the statues of crowned heads that used to adorn the city's boulevards and squares.

Energetic efforts are being made by the present Mexican Government to beautify Mexico City. Parks and gardens are being remodeled and many blocks of old buildings are being demolished to make way for new boulevards. In 1933-34 nearly \$9,000,000 was spent on street improvements alone.

In the Lou Shou T'ang and in the Forbidden City at Peiping is the largest block of jade in the world. Seven feet high, and weighing about six tons, it is elaborately carved to represent the exploit of the legendary emperor, Yü, in bringing under control a flood that ravaged China several millenniums before Christ.

The world's greatest sanctuary for wild life is in Northeast Transvaal, South Africa. It is 220 miles long by 40 miles wide and lies between the Pretoria and Crocodile Rivers.

The well-known London tavern, bus and subway stop "Elephant and Castle" was originally "The Infanta of Castile." And in the Midlands of England is a tavern with the curious name "Goat and Compasses," which is said to have been derived from "God Encompasseth Us."

The following is a partial list of cruises scheduled for the near future:

WEST INDIES.

April 16—Kungsholm (Swedish American), eight days.

BERMUDA.

April 18—Lafayette (French Line), seven days.

MEXICO.

Weekly Sailings—(New York & Cuba Mail), sixteen-twenty-three days.

April 15—Georgic (Cunard-White Star).

April 18—Haiti (Columbian), eleven days.

MEDITERRANEAN.

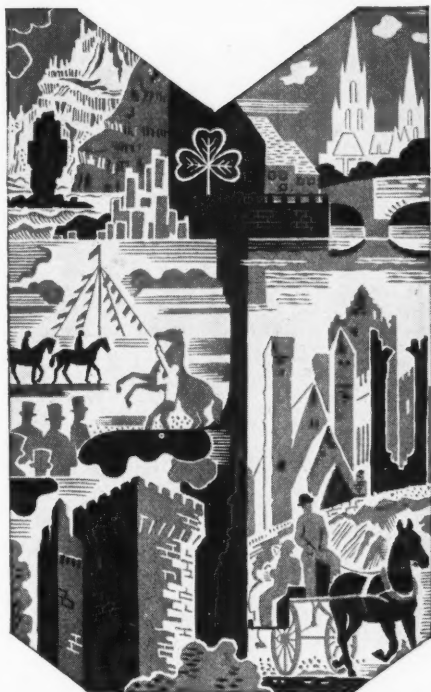
June 29—Roma (Italian), fifty-four days.

SOUTH AFRICA.

May 1—City of New York (American-South African), seventy-five days.

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June 29—Rotterdam (Holland-America), forty-two days.



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Continued from Page VII

table. And they hold the same view about the Soviet Union, which they think is waiting only until it can afford the money. As for China, there is already war, even if officially non-existent. Japan realizes that China can be made self-sufficient agriculturally, and that its transportation, distribution and uneven population could be rectified by efficient government. It is surely a temptation to Japan to set China to rights. Japan, a small nation, not fundamentally strong, but fearless and quick to seize Western ideas, is thus attempting to emulate England and become an island empire. But China may be too big a tiger to ride.

J. LASCELLES-RANSON.

The D. A. B., Vol. XV.

DICTIONARY OF AMERICAN BIOGRAPHY. Edited by Dumas Malone. Platt-Roberdeau. Vol. XV. New York: Charles Scribner's Sons, 1935. \$12.50.

EACH new volume of the *Dictionary* offers further evidence of the tremendously diverse energies and abilities that have been utilized in the building of a nation. Fortunately, the editors have been catholic in selecting their company, ranging alongside the Quincys and Randolphs a vagrant like Daniel Pratt or an unbalanced ballad-monger like Jonathan Plummer. Of particular interest in the present volume are the sketches of James K. Polk, Edgar Allan Poe, Matthew Quay, political boss, Joseph Pulitzer of the *World*, Henry J. Raymond, first editor of *The New York Times*, and Whitelaw Reid of the *Tribune*. Those who delight in browsing will find equal or more pleasure in the essays about such lesser lights as Pontiac, the Indian leader, Prescott of *The Conquest of Peru*, Frederic Remington, artist, Charles Ringling, the circus man, or John Reed, who found fame in the Russian Revolution.

E. FRANCIS BROWN.

A Communist Hero

DIMITROV. A Biography. By Stella D. Blagoyeva. New York: International Publishers, 1934. \$1.25.

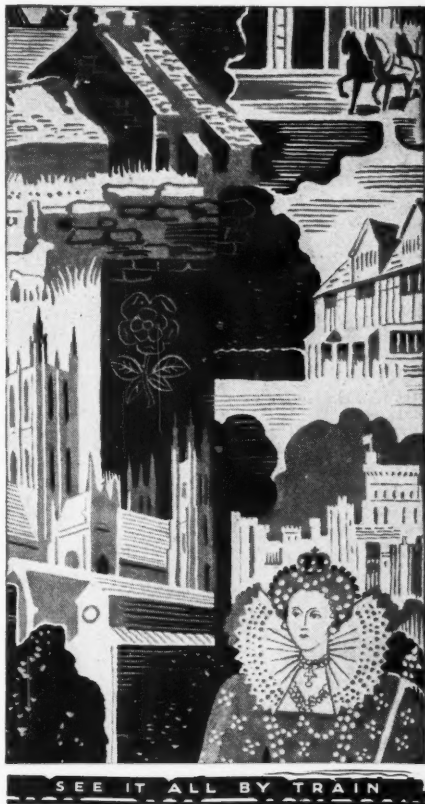
THE now famous Bulgarian revolutionary, the hero of the Reichstag fire trial at Leipzig, is here given rather more than his meed of praise. Dimitrov's previous career in Bulgaria, where he was the first worker to be elected to a Parliament in Southeastern Europe, is of interest, as is the publication of a stenographic record of his last speech before the Leipzig Court. The writer's glosses, however, are strongly propagandist and her idealization of Dimitrov is excessive. Dimitrov is at present engaged, she says, in writing his own story of the Leipzig trial.

ROBERT L. BAKER.

A Guide to Governments

POLITICAL HANDBOOK OF THE WORLD, 1935. Edited by Walter H. Mallory. Published for the Council on Foreign Relations. New York: Harper & Brothers, 1935. \$2.50.

THE information provided by this indispensable reference book—the composition of governments, the programs and leaders of political parties, the political affiliations and editors of leading newspapers and periodicals—cannot be found elsewhere without infinite trouble. It is up-to-date as of Jan. 1, 1935.



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